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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors in the annex to document A/52/753, that progress reports be submitted to the Assembly on an annual basis on measures taken or to be taken in response to the recommendations of the Board of Auditors.

2. The present report has been prepared accordingly. Information is provided on measures taken or to be taken to implement those recommendations of the Board of Auditors that were reported as not fully implemented in document A/53/335/Add.1 of 10 September 1998, the last such report prepared in accordance with paragraph 7 of General Assembly resolution 48/216 B of 23 December 1993, which called for reporting on a biennial basis.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10; 49/216 B of 23 December 1994, paragraphs 3 and 4; 49/216 C of 23 December 1994, paragraph 3; 50/204 A of 23 December 1995, paragraph 4; 51/225 of 3 April 1997, section A, paragraph 10; and 52/212 B of 31 March 1998, paragraphs 3 to 5.

4. In accordance with paragraph 8 of the annex to document A/52/753, which was endorsed by the General Assembly in its resolution 52/212 B, the Secretary-General has been considering the most effective mechanism for strengthening oversight in regard to implementation of audit recommendations. As a first step in that direction, an Oversight Support Unit was established in the Department of Management of the Secretariat, which already carries out a variety of oversight follow-up functions.

II. Previous recommendations not fully implemented

5. In paragraph 9 (a) of its report to the General Assembly at its fifty-third session,[1] the Board of Auditors drew attention to its recommendation made in 1990–1991 and 1994–1995 that the Administration address the deficiencies in hiring, granting remunerations and performance evaluation of experts and consultants.

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6. In accordance with that recommendation, the revised guidelines for the use of consultants have been presented to and endorsed by the General Assembly. The Assistant Secretary-General for Human Resources Management will promulgate the new guidelines by 30 June 1999, and will report on their implementation to the General Assembly at its fifty-fourth session.

7. In paragraph 9 (b), the Board drew attention to its 1992–1993 recommendation that the Administration develop and implement a career development system. That recommendation was reiterated in paragraph 11 (h) of the Board's report.

8. As stated in the Secretary-General's report on human resources management (A/53/342, para. 52), the Organization's career development policy is based on the principle that responsibility for career growth and development is shared: by the Organization, which must provide structural support and a framework of opportunities; by managers, who must support their staff's development and career progress; and by the staff members themselves, who must be committed to continuous professional growth.

9. In that context, the Organization has continued to develop and strengthen the basic elements of a career support system. A key element is the development of core organizational competencies and managerial competencies to be used as a basis for other human resources systems, such as recruitment, placement, staff development and appraisal. A participatory process involving interviews with all heads of department and office and focus groups, including all staff across the Secretariat, has been undertaken to define and validate core and managerial competencies. A competency model was being introduced in the first half of 1999 and initial applications of this model will be developed subsequently.

10. Another essential element of a career support system is a human resources planning capacity to project organizational human resources requirements and facilitate timely action to recruit, train and develop staff to fill those requirements. Work has begun on a system that will have an integrated database and forecasting and data monitoring capability. A skills inventory database has been created and supervisory experience is being entered into the database. This information will facilitate succession planning, focused recruitment and greater career support.

11. The performance appraisal system has been revised to link the system more closely to staff development and career support. In the revised system, all staff with supervisory or managerial responsibility are required to fulfil goals related to the development of their staff, and all staff members are expected to indicate at least one professional development goal to be achieved during the reporting period.

12. The Secretary-General, in his bulletin entitled "Building the future" (ST/SGB/1998/6), emphasizes that staff development is a shared responsibility and stresses the need to create an organizational environment that supports managers and enables staff to contribute to their maximum potential. Accordingly, another essential element of the Organization's career development policy is the identification of development needs and provision of learning opportunities for all staff.

13. To meet the Organization's identified priority needs, staff development and learning programmes have been reinforced and refocused, and new target programmes are being implemented for staff at all levels, Secretariat-wide. Frameworks are being developed to spell out the progression of skills and competencies required for staff to advance to different levels in the Organization and the variety of means available to staff to develop those skills and competencies.

14. While the Organization has responsibility for providing a range of staff development opportunities, the Secretary-General has made clear his expectation that managers also have an important role to play in supporting the growth and development of their staff and has stressed that managing people must be seen as a key managerial task, along with programmes, financial resources, information and change.

15. Particular attention continues to be focused on entry-level Professional staff recruited through the competitive examination processes. The intensive development programme for new Professional staff, which was introduced in 1997, includes regularly scheduled follow-up and ongoing career counselling for participants.

16. In addition to training, it is recognized that all staff members need to have improved access to information about the work and job requirements in the various departments and occupational groups, and to receive guidance in order to understand their role, plan for their development and set realistic career goals. To address that need, an integrated series of career support programmes has been introduced, which includes career-planning workshops for staff and supervisors, information sessions, panel discussions and video presentations. Career planning workbooks and videos on career and development issues are being made available in self-study resource centres.

17. Priority attention is being given to reviewing the issue of mobility, bearing in mind the needs and the means of the Organization must be the paramount consideration.

Accordingly, measures are being taken to achieve greater mobility of staff in terms of functions, departments, duty stations and organizations of the United Nations system, and to address internal constraints. Particular emphasis is being given to a means of increasing the mobility of entry-level Professionals so as to provide those staff with the opportunities to broaden their experience during the early stages of their careers. In that regard, the Secretary-General intends to introduce a system of managed assignments whereby the initial assignments of all entry-level Professional staff will be managed centrally, in collaboration with programme managers, in order to provide them with two different assignments in their first five years in the Organization. Implementation of the proposed managed reassignment programme will require a fundamental shift on the part of programme managers in viewing entry-level Professional staff as an organizational resource, and in considering junior Professional posts as developmental positions.

18. The Secretary-General is also committed to examining all avenues for enhancing mobility, including increased support for lateral moves, job exchanges, secondments, temporary assignments, job rotation systems within departments and service in missions. The Assistant Secretary-General for Human Resources Management is responsible for the implementation of this recommendation.

III. Implementation of recommendations contained in paragraph 11 of the report of the Board of Auditors

19. In paragraph 11 (a) of its report, the Board recommended that the Administration improve monitoring to ensure that final expenditures by each section and responsibility centre are as close as possible to the allotments issued for the biennium.

20. The Controller continues to monitor expenditures closely to ensure compliance with the authorized allotments. The recent implementation in Headquarters of Release 3 of the Integrated Management Information System (IMIS) has enabled the Administration to produce budget performance reports in "real time" and to take prompt corrective action. Release 3 will be implemented progressively in offices away from Headquarters, under the responsibility of the Controller and the Assistant Secretary-General for Central Support Services.

21. Additionally, in late 1998, offices were requested to report on the level of actual and projected expenditures, by object group, for the first year of the biennium. This exercise provided an opportunity for both system offices and the Office of Programme Planning, Budget and Accounts to anticipate adjustments to the allotments and thereby take appropriate action. Under the responsibility of the Controller, this process is being refined and is expected to form part of the standard procedures for the monitoring of expenditures.

22. In paragraph 11 (b), the Board recommended that the Administration integrate all accounting systems with IMIS.

23. Accounting systems at offices away from Headquarters continue to rely on processing using the general accounting system, but are now being integrated into IMIS. A number of technical staff from those offices were trained in Release 3 issues in the course of 1998, and this training is continuing in 1999. In addition, staff from Headquarters have performed on-site reviews at a number of offices away from Headquarters.

24. The integration of accounting systems with IMIS will be effected with the implementation of Release 3 at the various offices away from Headquarters: the United Nations Office at Vienna, 1 July 1999; the Economic and Social Commission for Western Asia (ESCWA), 1 October 1999; the Economic Commission for Latin America and the Caribbean (ECLAC), 1 January 2000; the Economic and Social Commission for Asia and the Pacific (ESCAP), 1 March 2000; the United Nations Office at Geneva, 1 April 2000; the United Nations Office at Nairobi, 1 July 2000; and the Economic Commission for Africa (ECA), 1 July 2000. All peacekeeping missions already use the new IMIS account codes. Consequently, all United Nations offices will be consistently using the IMIS account codes as from 1 July 2000. The responsibility for implementing this recommendation belongs to the Controller and the Assistant Secretary-General for Central Support Services.

25. In paragraph 11 (c), the Board recommended that the Administration modify Release 3 of IMIS to avoid the necessity of introducing substantial adjustments of accounts receivable and payable outside IMIS; provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and enable the Organization to actively pursue recovery, especially in long-outstanding accounts.

26. The following actions have been taken pursuant to this recommendation, under the responsibility of the Controller and the Assistant Secretary-General for Central Support Services:

(a) New general ledger codes were added for the After-Service Health Insurance (ASHI) in July 1998, and substantial changes were made to the ASHI interface computer program. Changes in on-line posting rules affecting ASHI documents will be addressed in 1999;

(b) The offset reports provided to assist with the closing of accounts for June 1998 have been developed and delivered as part of the reporting application;

(c) Receivable ageing reports were specified in 1998 and were being provided for the closing of the accounts at 31 December 1998;

(d) Outstanding contributions-receivable ageing reports are currently being developed.

27. In paragraph 11 (d), the Board recommended that the Administration plan its major maintenance work sufficiently in advance to avoid the necessity of introducing exigency contracts, to give adequate time for the approval process, to obtain competitive bids and to have sufficient time to vet the background of the contractors and vendors.

28. The Secretary-General recognizes that procurement planning is essential to avoid exigency contracts, to provide adequate time for vetting the background of potential contractors and vendors, for the effective and timely solicitation of bids and proposals, for the award of contracts and, ultimately, for the delivery of the required goods and services. The Procurement Division of the Office of Central Support Services has taken action to remind all offices of their obligation to undertake timely annual procurement planning. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

29. In paragraph 11 (e), the Board recommended that the Administration ensure that prospective bidders have sufficient time to respond.

30. The Procurement Manual states that it is imperative that requisitioning departments and offices provide adequate lead time for the Procurement Division to properly conduct the procurement process, and specifies separate standard lead times for highly technical requirements and for average requirements. The Procurement Manual has been made available to all users on the United Nations home page on the Internet. In some cases, however, the Procurement Division is called upon to make exceptions to the standard lead times, especially in relation with peacekeeping missions, where operational needs are subject to rapid and unforeseen changes. The Procurement Division endeavours to ensure that vendors have sufficient time to submit their bids and proposals; however, the actual time-frame for the completion of purchases depends on adherence to the requisitioning guidelines in the Procurement Manual. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

31. In paragraph 11 (f), the Board recommended that the Administration include guidelines for open tendering in the Procurement Manual and specify in the Manual the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers.

32. The Procurement Division has established guidelines that require the open tendering through advertisements in the print media for purchases in excess of $200,000, and when sufficient lead time has been provided by the requisitioning office or department. These guidelines will be reviewed for future incorporation into the Procurement Manual. The frequency of meetings and the evaluation procedures of the Supplier Review Committee will be reviewed in the light of developments related to the Common Supplier Database. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

33. In paragraph 11 (g), the Board recommended that the Administration finalize the special emergency rules and procedures on humanitarian assistance without further delay.

34. In his report to the General Assembly dated 24 August 1994 (A/49/336, para. 86), the Secretary-General gave assurances that pending the development of special emergency rules and procedures consideration would be given to a more appropriate delegation of authority to accommodate the exigencies and special requirements of emergency programmes. Accordingly, additional financial management authority has been delegated to the Emergency Relief Coordinator. Since 14 December 1998, the Emergency Relief Coordinator has been empowered to issue extrabudgetary allotments, which should eliminate the possibility of the recurrence of the kind of delays cited in the Board's report.

35. The Administration considers that the Financial Regulations and Rules of the United Nations, currently being revised, remain the principal source of financial regulatory and procedural authority. The Controller is responsible for the implementation of this recommendation.

36. In paragraph 11 (h), the Board recommended that the Administration formulate and implement a strategy for career development without delay.

37. The Administration's response has been included under paragraphs 5–18 above.

38. In paragraph 11 (i), the Board recommended that the Administration undertake a review to see whether the

elimination of 59 posts, as envisaged when the United Nations Office at Nairobi was established, had actually been achieved.

39. The Director-General of the United Nations Office at Nairobi, who is responsible for the implementation of this recommendation, confirms that in fact the streamlining resulted in the reduction of 59 posts in its administrative infrastructure, in accordance with the staffing proposal contained in the corresponding budget document.

40. In paragraph 11 (j), the Board recommended that the Administration consider establishing a system whereby users of common services should be required to pay for such services on a cost-apportioned basis.

41. At present, common medical, legal, information technology and financial services are reimbursed by users. A task force has been convened in New York by the Office of Central Support Services to consider further common service arrangements. As and when further common services are established, users will be charged.

42. In paragraph 11 (k), the Board advised the Administration to request the United Nations Offices at Geneva and Vienna to adopt the set of key performance indicators proposed by the Secretary-General for conference services and to develop performance indicators to cover other services.

43. Workload statistics for conference-servicing functions apply equally at Headquarters, the United Nations Office at Geneva and the United Nations Office at Vienna. Other performance indicators are being developed. The Under-Secretary-General for General Assembly Affairs and Conference Services is responsible for the implementation of this recommendation.

44. In paragraph 11 (l), the Board recommended that the Administration establish the conference centres of ECA and ESCAP as separate cost centres, with all costs associated with their operation apportioned to them for more accurate determination of their profitability.

45. In accordance with this recommendation, the budget submission for the biennium 2000–2001 includes provisions to establish expenditure accounts for these conference centres. Income corresponding to these activities will be recorded under income section 2 of the programme budget. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for the implementation of this recommendation.

46. In paragraph 11 (m), the Board recommended that the Administration monitor and accelerate the pace of preparedness for managing the year 2000 issue; completely test for compliance all systems, including those that are considered year 2000 compliant because of their recent development, with sufficient lead time to address any deficiencies, to avoid any surprise at the turn of the century; formally test IMIS for year 2000 compliance; and formulate contingency plans for all systems.

47. A Year 2000 Management Group, composed of senior managers (Under-Secretaries-General and Assistant Secretaries-General) and chaired by the Under-Secretary-General for Management, was established in February 1999 to provide policy guidance and oversight to the Secretariat, with the participation of selected funds and programmes. Priority is given to mission-critical operations of the Organization to ensure they will be fully operational, irrespective of outside constraints.

48. The Year 2000 Management Group is supported by a year 2000 team, an interdepartmental task force coordinating year 2000 issues in the areas of information management, peacekeeping operations, humanitarian affairs, economic and social affairs, development cooperation, security and safety, facility management, as well as legal, financial and administrative issues. The team identifies mission-critical operations of the Organization as a whole, develops contingency plans for those mission-critical operations where there may be a risk of failure, and encourages sharing of efforts, exchange of materials and the review of current and best practices with organizations of the United Nations system.

49. The United Nations engaged the services of a specialized consultant to conduct a Year 2000 Risk Assessment Study for its telecommunications and computing infrastructure as well as business applications at United Nations Headquarters. During the first phase of the study, the consultant was required to establish an inventory of business applications and telecommunications and computing components subject to year 2000 risk. A total number of 131 business applications were inventoried, of which 76 have been identified as business-critical. Of these business-critical applications, fully 37 have been determined to be year 2000 non-compliant. Seventeen of the non-compliant applications have been determined to be mission-critical in nature. Of the 17 non-compliant, mission-critical applications, 6 are financial applications, including payroll, insurance billing and check printing; 5 are revenue-producing applications, including the optical disk, visitor registration and megastamp systems; 2 are enterprise systems, including the cc:mail and the telephone directory; and 4 are important departmental systems, including the system for scheduling interpretation, recording of documentation, information tracking, United Nations pass

and identification system and the Permanent Missions' staff database.

50. In the second phase of the exercise, programmed for completion by 30 June 1999, the consultant will use specialized software tools to examine the inventory items for potential year 2000 problems and will issue a risk assessment report to this effect with recommended remedial actions and resources estimates.

51. The year 2000 team will coordinate the development of contingency plans for each of the principle mission-critical operations where there is a risk of failure. The team is preparing a template for such contingency plans, which will be circulated to departments and to offices away from Headquarters by 30 June 1999.

52. The new year 2000-compliant version of IMIS (3.4.4) will be tested during the month of June and is programmed for introduction in July 1999. The Under-Secretary-General for Management is responsible for implementing this recommendation.

IV. Implementation of recommendations contained in the body of the report

53. In addition to the above-mentioned main recommendations, the Board made other specific recommendations throughout the body of the report.

54. In paragraph 23, the Board urged the Administration to consider further the Board's recommendation in its report for the biennium 1994–1995 that the budget performance reports presented to the General Assembly be modified to reflect the actual expenditures and projections closer to the end of the biennium in the context of IMIS Release 3.

55. The timeliness of expenditure reports has improved since the implementation of Release 3 of IMIS at Headquarters, and similar results are expected with the progressive implementation of Release 3 at offices away from Headquarters. It is anticipated that for the preparation of the second budget performance report for the biennium 1998–1999, expenditure analysis will be based on actual expenditure data for the first 21 months of the biennium, thereby allowing the Office of Programme Planning, Budget and Accounts to project final expenditures with greater accuracy. The Controller and the Assistant Secretary-General for Central Support Services are responsible for the implementation of this recommendation.

56. In paragraph 48, the Board recommends that: (a) United Nations Headquarters review the level of supporting information provided with inter-office vouchers to ensure that sufficient details were included to enable the transactions to be verified and properly recorded; (b) United Nations Headquarters and the United Nations Office at Geneva monitor and reconcile the inter-office vouchers on a more regular basis so that by the end of a given financial period such transactions would be properly reflected in the accounts; and (c) the financial statements show the inter-office vouchers in gross terms, properly classified as transactions awaiting processing.

57. In accordance with the above recommendation, supporting documentation provided with inter-office vouchers is reviewed on a regular basis. A concerted effort has been made to eliminate the backlog in the processing of inter-office vouchers and to bring the reconciliation of vouchers up to date. Financial statements now show the inter-office vouchers awaiting processing in gross terms. The Controller is responsible for the implementation of this recommendation.

58. In regard to cash management at the United Nations Office at Nairobi, the Board recommended, in paragraph 50, that cash flow forecasting statements be prepared and effectively used as a tool for cash management.

59. The United Nations Office at Nairobi is taking steps to improve cash management, including the full utilization of interest-bearing accounts and the investment of surpluses in short-term investments in order to maximize interest generation. The feasibility of preparing formal cash forecasting statements is currently under review by the Director-General of the United Nations Office at Nairobi, who is responsible for the implementation of this recommendation.

60. In paragraph 63, the Board recommended that ECA and the United Nations Office at Nairobi ensure that bank reconciliations be brought up to date and that non-reconciling items be promptly investigated for the necessary adjustments to be made in the accounts.

61. With regard to ECA, bank reconciliations have been brought up to date to February 1999. With the installation of the Sun accounts system, bank reconciliations are now processed automatically. ECA will complete the processing of prior years' reconciliations by 30 June 1999. The Executive Secretary of ECA is responsible for the implementation of this recommendation.

62. Delays in bank reconciliations have been reduced significantly at the United Nations Office at Nairobi. The backlog in bank reconciliations was attributable to the need to reprocess a number of reconciliations following the

summary dismissal of the staff member responsible for this task in the Division of Administrative Services of the United Nations Office at Nairobi. The Director-General of the United Nations Office at Nairobi is responsible for the implementation of this recommendation.

63. In paragraph 69, the Board recommended that the Administration resolve the matter regarding the sale of inventory of the United Nations Gift Centre without further delay.

64. The question of the valuation of the inventory was referred to the Headquarters Committee on Contracts and payment was received during the first quarter of 1999. The Assistant Secretary-General for Central Support Services is responsible for the implementation of this recommendation.

65. In paragraph 87, the Board recommended that since the integrated library information system project had been considerably delayed from the time the General Assembly had authorized it during the biennium 1992–1993, the Administration should ensure that its full implementation was achieved without further delay.

66. This recommendation has been fully implemented with the introduction of the circulation module in August 1998. Now all planned modules of the Integrated Library Management System are entirely operational.

67. In paragraph 89, the Board recommended that the Administration ensure that the reasons for the advance payment on contracts at the United Nations Office at Nairobi be recorded.

68. Appropriate measures have been taken by the United Nations Office at Nairobi to ensure that written justifications are on file in each instance. The Director-General of the United Nations Office at Nairobi is responsible for the implementation of this recommendation.

69. In paragraph 98, the Board recommended that the Administration make efforts to recover the value-added tax improperly paid by ECLAC and make further attempts to resolve the issue of the tax payment on purchases with the national Government.

70. Following the issuance of this recommendation, ECLAC engaged representatives of the host country in discussions aimed at broadening the Organization's tax-exempt status to include all purchases of goods in the host country. However, under the current tax code, exemption is only applicable to items imported into the host country and to major local purchases of goods and services related to the construction of premises, furniture and fixtures. The Executive Secretary of ECLAC is responsible for the implementation of this recommendation.

71. In paragraph 144, the Board recommended that the United Nations Office at Geneva and the United Nations Office at Vienna record actions taken in the recruitment or appointment of staff so that delays can be identified, causes analysed and appropriate remedial action taken.

72. In respect of this recommendation, these two Offices will be covered by the IMIS recruitment- and appointment-tracking system that is expected to be implemented by 30 June 1999. The Directors-General of the United Nations Office at Geneva and the United Nations Office at Vienna are responsible for the implementation of this recommendation.

73. In paragraph 172, the Board recommended that the United Nations Compensation Commission invite its Governing Council to review the basis of the processing fee that Governments were entitled to deduct from payments made to claimants to compensate for the costs they incurred.

74. In compliance with that recommendation, the United Nations Compensation Commission drew the attention of its Governing Council to the Board's recommendation during the meeting of its Working Group in December 1998 and again in March 1999. Secretariat staff provided information to representatives on current practices of Governments and international organizations relating to the deduction and use of the processing fee. The Working Group concluded that Governments and international organizations were not overcompensated for the costs incurred in providing services to claimants, and saw no reason for further review of the basis for the processing fee established by decision 18 of the Governing Council.

75. In paragraph 224, the Board recommended that the United Nations Conference on Trade and Development (UNCTAD) introduce allotment procedures for its trust fund projects.

76. The Administration will introduce individual allotment advices for trust fund projects effective 1 May 1999. The Secretary-General of UNCTAD is responsible for the implementation of this recommendation.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II.

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Financial reports and audited financial statements and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning United Nations funds and programmes

Report of the Secretary-General

Addendum

I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors contained in the annex to document A/52/753 that reports on measures taken or to be taken in response to the recommendations of the Board be submitted to the Assembly on an annual basis.

2. The present report has been prepared accordingly. Information is provided on measures taken or to be taken to implement those recommendations of the Board of Auditors that were reported as not fully implemented in document A/53/335/Add.1 of 10 September 1998, the last such report prepared in accordance with paragraph 7 of General Assembly resolution 48/216 B of 23 December 1993, which called for reporting on a biennial basis.

3. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the

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United Nations International Drug Control Programme and the United Nations Office for Project Services. Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its reports for the period ended 31 December 1997. The present report only covers those organizational activities that have heretofore been reported on a biennial basis. Those programmes for which reports of the Board of Auditors are already submitted annually are not included and are reported as before in an annex to the respective report of the Board of Auditors to the General Assembly (United Nations peacekeeping operations and the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR)).

II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

The actions taken or to be taken to implement the recommendations of the Board of Auditors in its report on the accounts of ITC for the biennium ended 31 December 1997[1] are set out below. The programme manager responsible for coordinating the implementation of the recommendations of the Board of Auditors is the Chief of the Financial Management Section.

Observation recommendation	*ITC action present position*
Management issues	
1. ITC should issue guidance on the enterprise oriented approach to ensure that enterprise projects are designed and implemented on a clear and consistent basis (para. 29).	ITC planned to issue a revised guidance prior to the ITC Joint Advisory Group in April 1999.
2. The Board recommends, and ITC agrees, that the resource mobilization strategy should include clear objectives for widening the Centre's funding base and targets against which to measure achievements, specify when and how ITC would engage existing and potential donors, and set out clearly defined responsibilities for the strategy's implementation and review (para. 33).	ITC prepared a draft outlining a resource mobilization strategy that was to be finalized prior to the Joint Advisory Group meeting in April 1999. ITC also developed a corporate management information system to address the Board's concerns regarding a lack of communication between resource mobilization and programme staff.
3. ITC should ensure that project documents are of a consistent standard, supported by assessments of need and incorporate frameworks to facilitate effective monitoring and evaluation (para. 38).	ITC employed a consultant to report on needs assessment and programme design. ITC intended to arrange staff discussions of the consultant's report early in 1999 to consider how best to improve the consistency and quality of project documents.
4. ITC should ensure that, as part of project design, suitable arrangements are made to collect basic data to help facilitate future assessments of project impact (para. 43).	ITC discussed the difficulties of collecting meaningful data with the Board's staff. Both acknowledge that ITC often works in areas where success depends on many external factors, as well as ITC input.
5. ITC should develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of ITC impact (para. 49).	ITC discussed corporate performance indicators with the Board and has undertaken some initial work based on the Board's recommended key indicators. The Centre outlined that one possibility being explored was building the indicators around the capacity-building section of the ITC mission statements. ITC intended to conduct further work early in 1999.
6. ITC should ensure that its publication proposals include justification of need and resource implications (para. 55).	The ITC Working Group on Policy Matters Related to the Publications Programme recently produced a draft report. The revised procedures outlined in the report include the requirement to include in publication proposals the specific objective of the publication and need, as well as cost estimates and funding.

Observation recommendation	*ITC action present position*
7. ITC should review its procedures for determining the number of publications to be printed, with a view to reducing the level of excess stocks (para. 59).	In addition to the work carried out by the Working Group on Policy Matters Related to the Publications Programme, ITC requested the Office of Internal Oversight Services of the United Nations Secretariat to review the publications area in 1999.
8. ITC should improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs (para. 61).	ITC expects that the production of its annual operation plan using the new corporate management information system will secure the required improvements.
9. ITC should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 65).	ITC provided responses to the Board of Auditors and Office of Internal Oversight Services questionnaires on year 2000 compatibility, which concluded that ITC systems, including the new corporate management information system, should be compatible.

B. United Nations University

1. Measures taken by UNU in regard to the recommendations made by the Board of Auditors in its report for the period ended 31 December 1999[2] are as follows.

Liabilities on account of end-of-service benefits

2. UNU is undertaking discussion with the Accounts Division of the Office of Programme Planning, Budget and Accounts of the Secretariat on how to disclose information on liabilities for end-of-service benefits in the UNU financial statements. It is expected that such information will be disclosed in the UNU statements ended 30 June 1999.

Declining level of pledges

3. In recent years, UNU has not established any new research and training centres that can come into existence with pledges of endowment and operating support paid over a number of years. In fact, the peak in pledged amounts in 1992–1993 relates primarily to the receipt of outstanding pledges for the endowment fund earmarked for the UNU/International Institute for Software Technology, the last of the endowed UNU research and training centres to be established.

Agreements with consultants and institutions

4. UNU continues to try to achieve a measure of geographical and gender balance wherever possible in the selection of consultants in UNU activities. The following factors impact on these goals: the nature of UNU activities and resources available; institutional efficiency; and the type of work or the location where the work is to be carried out.

5. UNU, including its research and training centres and programmes, worked with 615 project consultants in 1998, of whom 312 were from developing countries.

6. It should be stated that the recipients of UNU fellowships and internships in 1998 totalled 232, of whom 183 were from developing countries.

Delay in completion of consultancy work

Floods in Bangladesh: processes and impacts (SSA 96/149; valid until 30 June 1999; outstanding balance US$ 5,000)

7. The completion of the above-mentioned study has been somewhat delayed, but the fieldwork has now been completed. The consultant is in the process of preparing the final report of the work, which will be submitted to UNU for publication through UNU Press. It is expected that the work will be completed by the end of 1999.

Global environment risk (ICA 91/003; valid until 30 June 1999)

8. This is a book project, which has regretfully been delayed. Nevertheless, the manuscript was completed and was subjected to peer review by UNU from December 1997 to March 1998. In May 1998 the comments were sent to the authors, who are now in the process of revising the manuscript accordingly. The final manuscript is expected within the present contract extension.

Critical zones in global environment change (ICA 91/053; valid until 31 October 1999)

9. This project consists of a number of field-based case studies utilizing a similar methodology. The original case studies were: United States Southern High Plains, Amazonia, Basin of Mexico, North Sea, Kenya Dry Hills, Aral Sea, Himalayas, Ordos Plateau of China and the tropical forests of Borneo and Peninsular Malaysia. A comparative volume (*Regions at Risk: Comparisons of Threatened Environments*) was published by UNU Press in the series "UNU Studies in Critical Environmental Regions" in 1995. The volume provides an overview of the project results and contains chapters on all of the case study regions.

10. Selected case studies have been developed into full books in their own right. Their progress has varied mainly depending on the conditions of fieldwork. Two have already been published by UNU Press in the above series (*Amazonia: Resiliency and Dynamism of the Land and its People (1995), In Place of the Forest: Environmental and Socio-economic Transformation in Borneo and Eastern Malay Peninsula*). Two more have been fully completed and are currently under production by the Press (The Basin of Mexico: Critical Environmental Issues and Sustainability and The Ordos Plateau of China: An Endangered Environment). The manuscript on the United States Southern High Plains (the Llano Estacado of the United States Southern High Plains: The Rise and Decline of a Modern Irrigation Culture) has also been completed and has been peer reviewed and the comments were passed on to the authors in August 1998. The authors are now in the process of revising the manuscript according to the comments. The only remaining case study that has not been completed is the one on the Ukambani Region of Kenya Dry Hills. It is expected that this manuscript will be submitted to UNU for review within the coming three months.

11. Consequently, it is expected that the project will be completed within the present contract extension.

Personnel

12. The UNU Centre recruited two Vice-Rectors in April 1998, one Senior Advisor to the Rector in April 1998, one Personnel Officer in July 1998 and two Academic Programme Officers in August 1998.

13. UNU will appoint one Information Technology Officer and one Academic Programme Officer in June/July 1999. It is expected that other vacant Professional posts will be filled during the second half of 1999.

United Nations University headquarters building

14. UNU continues to explore ways to increase income through the utilization of the UNU headquarters building. To date, UNU has not been successful in finding tenants for two major vacant spaces, which are intended for a bookshop and a cafeteria. Under the current economic situation in Japan, it is almost impossible to find tenants who could bear the construction costs of US$ 1 million to 2 million.

C. United Nations Development Programme

The actions taken or to be taken by UNDP to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[3] are set out below.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Programme expenditure incurred by Governments and executing agencies			
Audit reports from Governments			
1. UNDP should retain for at least two bienniums all audit reports received on national execution expenditure to enable the Board to complete its audit of those reports that had not been received in the previous biennium (para. 20).	UNDP agrees with the recommendation. In the future UNDP will archive the audit reports applying the standard procedure for all financial records.	Done. The Office for Audit and Performance Review is responsible for this recommendation.	Not applicable.
Inventory control of non-expendable property			
2. UNDP should establish clear separation of duties between requisitioning, receipt of goods and maintenance of inventory records (para. 36).	UNDP agrees with the recommendation. UNDP will establish clear guidelines on segregation of duties.	UNDP is currently reviewing its financial regulations and rules and this item is included in the review. The Policy and Control Unit of the Bureau for Financial and Administrative Services is responsible for this recommendation.	September 1999.
Other income			
3. The UNDP financial regulations should be amended to require exchange losses arising other than from voluntary contributions to be charged as expenditure, as suggested by United Nations accounting standards, paragraph 29, and in line with practice adopted by United Nations Headquarters (para. 38).	There is no need for a change to the financial regulations; however, there will have to be a change to rule 104.3. UNDP has agreed with the Board to report gains/losses in a separate line in the income statement and provide a separate schedule in a note to the financial statements with the appropriate breakdown. The proposed revised financial rule will be included in the comprehensive revision to the entire Financial Regulations and Rules in 1999.	Meanwhile, UNDP will propose to the Board an interim presentation for the year 1998 accounts: all miscellaneous items with an expenditure nature inclusive of the net exchange loss, if any, will be shown as "other expenditure". The Bureau for Financial and Administrative Services/Comptroller is responsible for this recommendation.	September 1999.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Cash management			
Cash management policies and guidelines			
4. UNDP should monitor returns on investments against prevailing market rates (para. 45).	UNDP agrees with the recommendation. UNDP will establish appropriate benchmarks, through the Investment Committee, to be incorporated in its cash management policy and objectives.	The benchmark was approved by the Investment Committee in October 1998. The Bureau for Financial and Administrative Services/Treasury is responsible for this recommendation.	Completed.
Advances to agencies			
5. UNDP should define a "reasonable period of foreseen cash requirements" for its advances to agencies and regularly review the balances held (para. 52).	UNDP provides funding to United Nations agencies on a monthly basis, based on the agencies' forecast of delivery and cash flow requirements. The levels of advances held are reviewed regularly and advance requests are denied when not satisfactorily justified. A "reasonable period of cash requirements" has been defined as the current month's requirements plus one additional month's needs. The proposed steps for follow-up action are already in place.	UNDP met with the Board on 4 March to clarify its position. The Bureau for Financial and Administrative Services/Treasury is responsible for this recommendation.	Completed.
6. UNDP should examine the scope for reducing the extent to which agencies are funded in advance, and where possible move to a system of reimbursing actual expenditure, thereby reducing cash flow risks and improving financial control (para. 53).	The current method of funding United Nations agencies on a monthly basis, with agencies holding between one and two months' cash needs, dates back to the earliest days of UNDP and has been functioning effectively. The Administrator does not believe that there is any scope for agencies to pre-finance UNDP programme activities against a reimbursement arrangement. No further action is required.	A meeting was held with the Board on 4 March to clarify the position. The Bureau for Financial and Administrative Services/Treasury is responsible for this recommendation.	Completed.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Premises management			
Management information			
7. UNDP should maintain information on the occupancy levels of its headquarters buildings in order to help control and monitor costs (para. 67)	UNDP has already, in connection with the United Nations Development Group (UNDG) Sub-Group on Common Premises and Services, established certain information systems that will be maintained on a regular basis. Towards that end an agreement has been reached within the Sub-Group that all four partners will use a common software package (Aperture) to systematically capture headquarters and country office premises data elements such as cost, tenure, size, condition, occupancy, etc. This will allow for the sharing of information among partners and for meaningful analyses to be done, on the basis of key performance indicators regarding premises management. The database is under implementation.	Lease and other data for UNDP country offices and for headquarters space occupied by UNDP have started to be captured in the Aperture database. The UNDP Sub-Group and the Administrative Services Division of the Bureau for Financial and Administrative Services are responsible for this recommendation.	Completed in December 1998 for country offices data and June 1999 for headquarters data.
8. UNDP should develop and adopt key performance indicators to assess the effectiveness and efficiency of field offices and headquarters in managing their real estate. These indicators should include unit cost measures relating directly to the objectives specified in an estate management strategy (para. 68)	See comment in 7 above.	See above.	

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Common premises and services			
9. UNDP should finalize and issue the guidelines on common premises and services without delay (para. 71).	These initiatives are not handled by UNDP separately but in a harmonized way under UNDG. The UNDG Sub-Group on Common Premises and Services prepared guidelines for common premises and the United Nations Development Group Office prepared a final draft of guidelines on common services for presentation to the Consultative Committee on Programme and Operational Questions.	The draft guidelines were approved by the Consultative Committee on Programme and Operational Questions and distributed to all Resident Coordinators and UNDP resident representatives. A survey on common services has been received from 112 country offices at this date and is being analysed. Based on the analysis guidelines and best practices will be developed. The Consultative Committee on Programme and Operational Questions, the UNDG Office and the Administrative Services Division of the Bureau for Financial and Administrative Services are responsible for this recommendation.	Completed. End of 1999.
Rental arrangements and expenditure			
10. UNDP should strengthen its efforts to implement its current policy with regard to seeking rent-free office accommodation (para. 81).	This will be examined in consultation with the Bureau of Planning and Resource Management and the regional bureaux and in the context of UNDG efforts, as mentioned under recommendation No. 9.	Initial informal discussions have been initiated by some resident coordinators, the Bureau of Planing and Resource Management and the regional bureaux. In the context of government contributions towards local office costs, offices continued to be requested and encouraged by headquarters to work	Ongoing.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
		with Governments in obtaining rent-free office space. Recent trends show that there was an increase in the value of Government-provided rent-free office space to UNDP, from $5.9 million in 1997 to $7.0 million in 1998. In addition, UNDP in the context of UNDG is working with other United Nations organizations on the subject. The strengthening of this policy was articulated in a UNDP report presented to the UNDG executive boards in the spring of 1999. The Bureau of Planning and Resource Management, the regional bureaux and the Bureau for Financial and Administrative Services are responsible for this recommendation.	
Maintenance and alterations			
11. UNDP should prepare a forward plan for maintenance and alterations work to the premises it occupies (para. 84).	UNDP agrees with the observations of the Board. In this connection, UNDP will establish corporate standards and guidelines to country offices on renovations, maintenance and alterations. A plan for forward maintenance for UNDP headquarters and country office premises will be articulated and proposed as part of the next budget proposal.	A maintenance plan has been formulated for headquarters premises and resources have been requested for 1999. A consolidated country offices premises plan is being initiated in consultation with the regional bureaux. The Bureau for Financial and Administrative Services and the Bureau of Planning and Resource Management are responsible for this recommendation.	The headquarters plan was completed December 1998 and the country offices plan was expected to be completed by the end of 1999.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Utilities expenditure			
12. UNDP should collect and analyse energy costs and consumption data for its premises, in order to facilitate comparisons and to identify wastage and excessive costs (para. 86).	In the context of the Green Office Initiative, UNDP has appointed a coordinator to undertake work on how to reduce energy costs in the buildings that UNDP occupies at headquarters. This is an inter-agency effort and is being done in close cooperation with the Sub-Group on Energy Savings, which has been constituted under the auspices of the inter-agency Task Force on Common Services. Recommendations will be included in the next budget proposal. UNDP will look into the possibility of formulating an energy management policy for both headquarters as well as for its country offices.	Several discussions have taken place, both within UNDP and within the context of the Sub-Group. The maintenance plan developed for headquarters focused on the need to conserve energy and reduce costs. The Green Office Initiative, jointly chaired by the Bureau for Financial and Administrative Services and the Division for Sustainable Energy and Environment of the Bureau for Development Policy, provides development guidelines on energy conservation measures. A proposal is being formulated for the 2000–2001 budget. The Administrative Services Division of the Bureau for Financial and Administrative Services and the Division for Sustainable Energy and Environment of the Bureau for Development Policy is responsible for this recommendation.	Ongoing
Space planning and allocation arrangements			
13. UNDP should establish organization-wide standards for space occupancy, with standards flexed to take account of job function within grade (para. 89).	Agreed. UNDP will develop a policy on space allocation that may include allocation not strictly on the basis of grade alone but possibly on the basis of job function within grade. The effort will also be supported by the introduction of the Aperture software mentioned in reference to recommendation No. 8.	Steps have been initiated to capture space occupancy at headquarters through Aperture. Preliminary work has been started to establish space standards at headquarters. The application of Joint Inspection Unit standards is being encouraged for any new space being	September 1999

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
		occupied by UNDP offices. The Administrative Services Division of the Bureau for Financial and Administrative Services is responsible for this recommendation.	
Information management systems			
Progress on information management system projects			
14. The UNDP should standardize its procedures for investment appraisal of information technology projects to take full account of financial and non-financial benefits, as well as operational requirements (para. 99)	Agreed. This is now required in all project documents.	Under implementation. The Division of Information Management and Analysis of the Bureau of Planning and Resource Management is responsible for this recommendation.	At all times.
15. UNDP should ensure that project status reports include summaries of project expenditure against lifetime and biennial budgets (para. 100)	Agreed. UNDP will implement this in all cases going forward.	Summaries will be prepared for biennial budget reporting and for project files upon project completion. The Information Systems Division of the Bureau for Financial and Administrative Services is responsible for this recommendation.	For biennial budget reporting, April 2000, when 1999 expenditures will be known. Will be repeated every year from thereon.
Financial Information Management			
16. UNDP should encourage country offices to begin operating the budget module at the earliest opportunity (para. 103)	Agreed. Under active monitoring.	Under active follow-up, FIM has been fully implemented in 22 country offices, data is under validation in 103 country offices and under study in 9 country offices. The Information Systems Division of the Bureau for Financial and Administrative Services is responsible for this recommendation.	August 1999.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Procurement of information technology services			
17. UNDP should ensure that future contracts provide for payments to be linked to the achievement of specific targets and goals (para. 117).	Agreed. This will be monitored by the Advisory Committee on Procurement.	All new contracts are prepared in accordance with this recommendation and the Advisory Committee on Procurement scrutinizes each contract prior to clearance. The Policy and Control Unit of the Bureau for Financial and Administrative Services is responsible for this recommendation.	All times.
Year 2000 issue			
18. UNDP should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to correct any deficiencies (para. 124).	Agreed. All existing systems have been tested and new systems are being developed to be year 2000 compliant.	The Information Systems Division of the Bureau for Financial and Administrative Services is responsible for this recommendation.	Completed.
Change management			
Cost estimates			
19. UNDP should establish clear arrangements for funding the full costs of the change management initiative (para. 135).	UNDP made a conscious decision to mobilize additional resources needed to carry out the change related activities and has approached Governments that support UNDP efforts in this regard. Projects under change initiatives requiring additional funding have been identified and costed. UNDP is actively pursuing donors to support these projects and has so far mobilized an indicative amount of $4.5 million.	Continued UNDP efforts resulted in the mobilization of $770,000 from Finland and a pledge of $700,000 from the United Kingdom of Great Britain and Northern Ireland to support improvement in country office information management. The Bureau of Planning and Resource Management is responsible for this recommendation.	Ongoing.

Recommendation	*UNDP response and proposed steps*	*Status at 31 March 1999 and responsible party*	*Completion date*
Change process management			
20. UNDP should assess the financial and non-financial benefits expected to flow from its change programme and use this assessment to carry out a full investment appraisal of the change initiative (para. 140).	UNDP agrees with the recommendation that the financial and non-financial benefits of the change should be fully assessed and analysed. The planned comprehensive evaluation of the change process to be undertaken in July-September 1999 will include the investment appraisal element.	The planned assessment of the change process will be undertaken in September 1999. The Office of Planning of the Bureau of Planning and Resource Management is responsible for this recommendation.	December 1999.
Monitoring and evaluation of the change process			
21. UNDP should develop appropriate performance indicators and measures to assess specific change implementation activities, relating these directly to the main objectives of the change process (para. 150).	The 1998 UNDP Strategic Plan is based on the strategic agenda set by the UNDP 2001 initiative. It has fully integrated all key elements of the change process. Its success criteria and the linkage of results to the objectives of the change will provide a solid basis for a comprehensive assessment of the specific change implementation activities of 1998. The planned assessment of the compacts at the end of 1998 and the review of the implementation plan and the Strategic Plan should allow UNDP to evaluate the objectives of the change process.	The above assessment will be linked to this recommendation in terms of application of performance indicators to the set objectives of the change process. The Office of Planning of the Bureau of Planning and Resource Management is responsible for this recommendation.	December 1999.

D. United Nations Children's Fund

1. The measures taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors in its report for the biennium 1996–1997[4] are described below. The Executive Director is responsible for the implementation of the recommendations of the Board of Auditors.

Recommendation 11 (a)

2. UNICEF should strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details.

Measures taken by UNICEF

3. In line with the recommendation of the Board of Auditors, and as mentioned in the previous UNICEF report (E/ICEF/1998/AB/L.9 and A/53/335/Add.1), the administration has taken a number of steps to strengthen oversight responsibilities and to ensure that cash assistance liquidation statements are supported with sufficient documentation. The secretariat regularly and periodically monitors and reviews quarterly reports on cash assistance to Governments submitted by field offices. In these follow-ups, the secretariat strongly reminds field offices, where necessary, that as per executive directive CF/EXD/1996–017 of 7 November 1996, the authority of field offices to extend cash assistance to Governments will be suspended unless progress is made by the field offices on the liquidation of cash assistance to Governments. At their level, regional offices have included the status of cash assistance to Governments that are outstanding for more than nine months as a performance indicator of the field offices in the region. As a result of the intensive follow-up made in this area, the amounts of cash assistance to Governments outstanding for more than nine months had been declining from 1996 to 1998. At 31 December 1996, the figure was $20.2 million; at 31 December 1997, $11.1 million; and at of 31 December 1998, $9.6 million.

4. UNICEF field offices provide continuous training, in both formal and informal settings, to government counterparts to explain the procedures and requirements pertaining to cash assistance to Governments. The following are examples of activities undertaken by field offices to provide assistance to Governments to enhance their capacity to comply with the financial reporting and audit guidelines of UNICEF:

(a) Follow-up letters to government ministry were supplemented by meetings with government counterparts at both central and peripheral levels to discuss matters related to cash assistance to Governments, which include submission of the required liquidation documents. In one field office, these activities were further supplemented by a proposed new management structure to the government ministry that focused on role clarification and decentralization and was intended to inject new dynamism in future programme activities as well as to help the ministry in complying with requirements for cash assistance to Governments;

(b) Workshops on the management of cash assistance to Governments, which covered the submission of documents for liquidation of cash assistance to Governments, were conducted by UNICEF field offices for government counterparts;

(c) In one duty station, a field office contracted a team of accountants who toured the 39 districts to look into all aspects of the management of cash assistance to Governments at that level. The team ensured the establishment of appropriate systems for the management

of cash assistance to Governments and trained district personnel to function using those systems;

(d) The guidelines for non-governmental organizations to receive cash assistance to Governments from UNICEF, prepared by a field office, were shared with other field offices. These guidelines provided requirements for the liquidation of cash assistance to Governments and the submission of appropriate documents.

5. Further, UNICEF field offices always include discussion of the policies, procedures and requirements of cash assistance to Governments in workshops and meetings for UNICEF staff. These are intended to make them better informed when they meet and follow up with staff of government ministries and agencies.

6. The administration also wishes to note that the Board of Auditors' recommendation in paragraph 43 of its audit of the 1994–1995 accounts[5] specifically states that UNICEF should review the policy of recording cash assistance to Governments for consistency with the definition of programme expenditure in UNICEF financial regulation and programme management procedures. UNICEF implemented that recommendation by conducting a review of accounting standards and related programme policies and procedures. The results of the review, communicated to the Board, confirmed that UNICEF had been consistent since 1969 in its policy of recording cash assistance, but that a financial regulation adopted in 1988 to define "programme expenditure" was confusing and hard to interpret. UNICEF advised the Board that to rectify that situation, it would evaluate and update, as appropriate, for review by the Advisory Committee on Administrative and Budgetary Questions and consideration by its Executive Board, the Financial Regulations and conduct a similar analysis with respect to its financial rules, policy manuals and instructions. The administration will submit the proposed changes to the Financial Regulations and Rules to the Executive Board, through the Advisory Committee on Administrative and Budgetary Questions at its September 1999 session.

7. UNICEF appreciates the suggestion of the Advisory Committee on Administrative and Budgetary Questions that it consult with other funds and programmes. UNICEF maintains close contact with other funds and programmes on many common issues of concern.

8. In relation to the above, the administration wishes to note, once more, the following points on cash assistance to Governments:

(a) Cash assistance to Governments provides funds to Governments to support programme implementation in countries with which UNICEF cooperates. The payment of funds by UNICEF to Governments is taken as an expenditure because the ownership of the funds is transferred to the Government at the time the payment is made;

(b) After payment is made, it is the responsibility of UNICEF to assure that the funds were used for the purpose intended. UNICEF requires Governments to account for the utilization of this assistance through the submission of documentation from the Government substantiating that the activities took place and that the funds were used to carry out the activity.

Recommendation 11 (b)

9. UNICEF should expand and intensify its fund-raising activities, particularly in the area of general resources, and strengthen the monitoring and control of expenditure.

Measures taken by UNICEF

10. In the previous report (E/ICEF/1998/AB/L.9 and A/53/335/Add.1), the administration noted that a resource mobilization strategy, which aims to assure increased core resources for UNICEF, obtain greater predictability of contributions to core resources and find a means of increasing burden-sharing among donors to UNICEF core resources, will be submitted to the UNICEF Executive Board. The Board approved the strategy at its January 1999 session (E/ICEF/1999/7 (Part I), annex, decision 1999/8).

11. As also indicated in the previous report, the implementation of more efficient systems (i.e., the Programme Manager System and the Financial/Logistics System) in 1999 is designed to strengthen the monitoring and control of expenditures. The administration will assess the most efficient and effective use of and support provided by the new systems once all the systems are in place in 1999.

Recommendation 11 (c)

12. UNICEF should strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received.

Measures taken by UNICEF

13. The field offices continue to carefully monitor government receipts of supplies. The secretariat will continue to provide assistance to field offices to strengthen their capacity to monitor government receipt of supplies as may be required.

Recommendation 11 (d)

14. UNICEF should seek retrospective approval for the four projects added without the Executive Board's authorization.

Measures taken by UNICEF

15. The administration wishes to note that at the first regular session of the UNICEF Executive Board in January 1999, the Board agreed that in approving the establishment of a reserve fund for field office accommodation and staff housing, it had never asked to be involved in the approval of specific projects. The Board also agreed that the Executive Director would continue to report to the Board on the status of the fund in statement VIII of the biennial report as had been done since 1990 (E/ICEF/1999/7 (Part I), para. 106).

16. In the light of this agreement by the UNICEF Executive Board, the administration deems it unnecessary to obtain retrospective approval for the additional projects.

Recommendation 11 (e)

17. UNICEF should ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies.

Measures taken by UNICEF

18. In the previous report, the secretariat listed the major steps taken in relation to the Board of Auditors' recommendation to address the year 2000 problem.

19. The administration scheduled a year 2000 simulation exercise for June 1999 which would involve headquarters and selected regional and field offices.

Recommendation 11 (f)

20. The administration should ensure that recruitment of consultants fully complies with established rules and procedures.

Measures taken by UNICEF

21. In response to the Board of Auditors' recommendation, and with due consideration to the Advisory Committee on Administrative and Budgetary Questions comments in its report A/53/513, the administration issued an addendum, dated 20 November 1998, to the existing administrative instruction on the use of special service agreements (CF/AI/1991–11 dated 23 December 1991). The addendum describes what should be done to ensure the following: (a) that selection of consultants and contractors is on a competitive basis; (b) that local rosters of qualified and pre-screened candidates for various kinds of work normally undertaken in a year are established and maintained; (c) that offices see headquarters' approval on cases requiring such approval; (d) that consultants do not commence work until the contract is signed by UNICEF and the consultant; (e) that evaluations of the work completed is prepared before payment is made; (f) that fees paid have a valid basis, i.e., the complexity for the work required; and (g) that special service agreements are adequately monitored and that all documents related thereto are properly filed.

22. The addendum to the administrative instruction also provides that heads of offices are accountable when their staff members fail to observe the rules regarding the use of special service agreements, and that headquarters will revoke the delegation of authority to issue special service agreements for those offices that fail to comply with the policies governing the use of special service agreements.

23. The administration is also in the process of reviewing chapter 6 of the Human Resources Manual which deals with temporary assistance, including special service agreements, to further develop and/or refine relevant policies and guidelines on competitive selection, condition of service and administration of special service agreements.

Recommendation 11 (g)

24. In order to improve the financial performance of its greeting card and related operations, UNICEF should develop new marketing, advocacy and sales promotional strategies so as to increase the volume of its product sales and also increase its fund-raising.

Measures taken by UNICEF

25. The restructuring of the Private Sector Division, previously the Greeting Card and related Operations, is now in place. The collective impact of its brand management strategy, its focus on key markets and a harmonized product mix, and communication strategy will continue to contribute significant incremental funds for UNICEF programmes.

Recommendation 11 (h)

26. The administration should establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds.

Measures taken by UNICEF

27. The administration continues to encourage and pursue the early transmittal of proceeds from the National Committees. Requirements in this regard will be included in a revised recognition agreement, which is currently under consideration.

Recommendation 11 (i)

28. The administration should ensure that all National Committees comply with the cash accounting reporting requirements.

Measures taken by UNICEF

29. As mentioned in the previous report, the administration issued revised guidelines in December 1997 to further clarify reporting procedures and ensure increased uniformity and transparency.

Recommendation 11 (j)

30. The administration should recover a total of $1.45 million not accounted for by five National Committees.

Measures taken by UNICEF

31. As noted in the previous report, the administration has reviewed the transactions that gave rise to the $1.45 million referred to by the Board of Auditors. The amount represents support funds provided to the National Committees that are not intended to be recovered. The National Committees have submitted their reports confirming utilization of the funds, and the records pertaining to them have now been reconciled.

Recommendation 11 (k)

32. The administration should take appropriate steps to establish responsibility with a view to recovering the loss incurred by UNICEF as a result of fraudulently recording transactions in a field office in the amount of $445,000.

Measures taken by UNICEF

33. The administration, under the supervision of the Office of Internal Audit, and in conjunction with an international public accounting firm, undertook a comprehensive investigation of the case cited by the Board of Auditors, which involved the loss of greeting card assets owing to falsification of records. The administration obtained three legal opinions, which recommended against pursuing action because of the low likelihood that there would be any financial recovery. The administration is taking appropriate and prudent action to prevent such misappropriation of assets in the future. The steps taken include disciplinary action, the non-renewal of several employment contracts and the transfer of greeting card activities to a reputable third party.

Status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1994–1995[5]

34. After its final audit of the accounts for the biennium 1996–1997, the Board of Auditors noted the implementation of the recommendations included in its report on the audit of the accounts for the biennium 1994–1995.[6]

35. The Board noted the implementation of its recommendation 11 (b) pertaining to the establishment of a reserve for its doubtful contributions receivable to ensure an accurate disclosure of its realizable assets and recommendation 11 (g) pertaining to the need for reviewing the procedures for allocating general resources to country programmes so as to enhance comparability of data, eligibility for assistance and the determination of cut-off and exit criteria. Nevertheless, the Board would continue to monitor the adequacy of the reserve and would review the new procedures for the allocation of general resources in future audits.

36. The Board likewise noted the improvement in the liquidity position of UNICEF, which was the subject of the Board's recommendation 11 (c) regarding the need for a reversal of the deliberate strategy of setting expenditure levels higher than income to address the declining liquidity of UNICEF. However, the Board indicated that the performance in that area needed further improvement and that it would keep the matter under review in its future audits.

37. The Board also noted positively the numerous actions taken by the secretariat to implement the following:

(a) Recommendation 11 (d) on the strengthening of the operations of internal control systems in field offices through prompt and effective investigation of indications of mismanagement;

(b) Recommendation 11 (e) pertaining to the need to improve responsiveness to internal audit findings and recommendations;

(c) Recommendation 11 (f) on the need to further improve the accuracy of UNICEF income projections for unfunded supplementary programmes through more realistic budgeting and fund-raising strategies;

(d) Recommendation 11 (h) regarding the need to undertake collaborative studies in selected programme sectors to determine the level of achievement of the decade goals, sustainability of programmes and national capacity-building;

(e) Recommendation 11 (k) requesting the administration to take further measures to improve sales forecasting and to reduce over-ordering of products in order to keep unsold stocks to the minimum.

38. While the Board did not require further action on the above recommendations, the Board indicated that it would continue to monitor and review the areas covered in future audits.

39. The Board also noted the implementation of the following recommendations related to the budget:

(a) Recommendation 11 (i) that, instead of using the exchange rates available at specific periods of time as the basis for forecasting budgetary requirements, UNICEF consider adopting an appropriate averaging method to obtain more accurate projections;

(b) Recommendation 11 (j) that, in the design of the integrated budget system, a clear link be established between administrative costs and the costs of the country programme to achieve proper balance in resource allocation.

40. The Board of Auditors indicated that in its future audits, it would review the effect of the new currency adjustment policy formulated under the harmonized budget format and would monitor actual budgetary performance based on the principle of linking administrative costs to costs of country programmes, which had been established under the integrated budgeting system.

41. In recommendation 11 (a), the Board recommended that the policy of recording cash assistance to Governments as programme expenditure at the time the funds are advanced be reviewed for consistency with the definition of programme expenditure in UNICEF financial regulations and programme management procedures.

42. In response to that recommendation, the administration will submit the proposed changes to the Financial Regulations and Rules to the UNICEF Executive Board at its September 1999 session. One of the changes will ensure consistency in the definition of programme expenditure.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

The actions taken or to be taken by UNRWA to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[7] are described below.

Recommendations	*Action taken responsible party*	*Status*
1. The allotments for specific purposes should be issued only after sufficient contributions have been received from donors. Donors who have not fully honoured their pledge obligations to the various projects should be requested to do so in order to ensure reimbursement to the General Fund (para. 14).	The External Relations Office continues to follow up with donors about unpaid pledges. Representations will continue with the objective of encouraging donors to fulfil their commitments in a timely manner. The Comptroller and the Chief of the External Relations Office are responsible for the implementation of this recommendation.	Ongoing activity.
2. For more accurate and transparent financial reporting, UNRWA should disclose information on the changes in reserves and fund balances in its statement II in accordance with requirements of the United Nations Accounting Standards (para. 22).	Financial statements for the period ended December 1998 (unaudited) are in accordance with the United Nations Accounting Standards. The Comptroller is responsible for the implementation of this recommendation.	Action completed.
3. The statements of assets and liabilities and fund balances should be improved further to include the value of land and buildings (para. 25).	The value of fixed assets is clearly reflected in the UNRWA financial statements for the period ended 31 December 1998. The Comptroller is responsible for the implementation of this recommendation.	Action completed.
4. The title deeds should be obtained and kept at headquarters, Gaza, to confirm UNRWA ownership of the assets (para. 25).	The title deeds are now held at headquarters, Gaza. The Legal Adviser is responsible for the implementation of this recommendation.	Action completed.
5. The administration should provide the Finance Department with the required resources for the Department to function more efficiently (para. 30).	The Finance Department has been significantly reorganized. The position of the UNRWA Comptroller has been re-established and staffed. Vacancies in the Accounts Division have been filled with qualified personnel. The successful closure of the 1998 accounts reflects management's efforts. The Director of Administration and Human Resources Management and the Comptroller are responsible for the implementation of this recommendation.	Action completed.

Recommendations	*Action taken responsible party*	*Status*
6 The administration should review its fund-raising strategies and closely monitor its donor agreement and contract award procedures (para. 36).	The Commissioner General continues to discuss with donors the financial requirements of the Agency to enable it to provide services to the Palestine refugee community. Maximum efforts have been expended to decrease staff, operating and overhead costs while concurrently seeking additional support from new and traditional donors. Contract award procedures are the focal point of current internal audits and external review by donor-funded consultants. Recommendations that emerge for strengthening current internal control procedures and contracting effectiveness are being given thorough attention, including in connection with the recommendations of the Office of Internal Oversight Services. The Chief of the External Relations Office and the Legal Advisor are responsible for the implementation of this recommendation.	Ongoing activity
7 The Project Monitoring Unit should be equipped with the required resources for more effective monitoring of UNRWA projects (para. 38).	"Frozen" posts in the External Relations Office have been opened for recruitment despite continuing financial shortfalls. Two posts have been filled. A third post, for which a candidate has been selected, is now being reopened for recruitment following the withdrawal of the successful applicant. In addition, the External Relations Office has the services of a Junior Professional Officer, funded by a donor for a period of six months. Initial efforts are being directed at the issues which are critical to monitoring and reporting on projects in all fields to donors, as required in UNRWA donor agreements. Functional direction to Field Project Monitoring Officers has increased, with the objective of ensuring improvements in the timeliness and accuracy of project reporting. The Internal Audit Office is also conducting audits of project management, which should assist in the effectiveness of the process. The Chief of the External Relations Office is responsible for the implementation of this recommendation.	Ongoing activity
8 The administration should comply fully with the established instructions that before projects are accepted, the necessary land permits should be obtained (para. 41).	Management is cognizant of the need to establish clarity as to availability of sites and ownership at the project planning stage. Every effort is being made to do this. The Field Directors and the Chief of the External Relations Office are responsible for the implementation of this recommendation.	Actioned

Recommendations	*Action taken responsible party*	*Status*
9. UNRWA should take steps to recover the amounts outstanding from donors and reimburse the General Fund the amount of $11.2 million spent on the European Gaza Hospital project (para. 49)	The European Union scheduled an audit of the European Gaza Hospital by its auditors in spring 1999. This development should assist in completion of the project in that its results will assist in recovering funds used by the Agency to complete the project. the Comptroller and the Chief of the External Relations Office are responsible for the implementation of this recommendation.	Ongoing activity.
10. The procedures for the selection and award of contracts should be refined and the vendor's register updated in a timely manner to ensure that only competent contractors are considered for the Agency's projects. Also, the administration should closely supervise its contracts to ensure that contractors' work meets the required standards, that cost and time overruns are avoided and that the clause on liquidated damages is strictly enforced (para. 57)	Technical offices in the field are more cognizant of contractor performances and as such are aware of the necessity of maintaining "performance" profiles on contractors. Instructions are being given to field directors to ensure greater compliance with this. The field directors and the Head of the Technical Office are responsible for the implementation of this recommendation.	Ongoing activity.
11. A decision should be made by the Provident Fund on investments with the countries that do not grant tax exemption to the Fund. Also, more effective measures should be undertaken to recover the outstanding taxes withheld from the Fund (para. 61)	Both Northern Trust and UNRWA are following up with the Government of Italy. The Commissioner-General has written to the Permanent Representative of Italy to the United Nations on this subject to seek his assistance. Northern Trust has undertaken to send a follow-up letter to the Italian authorities. The Comptroller is responsible for the implementation of this recommendation.	Ongoing activity.
12. The audit manual should be revised to take account of the changes in the Agency's operations (para. 63)	The completion of the exercise has been slowed owing to a vacancy created in the Audit Office with the retirement of a senior auditor. It is expected that the work will be completed by the end of summer 1999. The Chief of the Audit Office is responsible for the implementation of this recommendation.	Ongoing activity.
13. In order to improve the efficiency of the internal audit staff, UNRWA should make budgetary provision for enhancing training of its internal audit staff (para. 66)	Pursuant to the report to the Board of Auditors, significant changes are under way that will strengthen the audit operations. Two new audit positions were approved in March 1999. The audit office is continuing its discussions with the office of the Auditor General of Canada about p. rticipation in courses and recently one senior auditor attended a special investigator training course at the Law Enforcement Academy in the United States. The Comptroller is responsible for the implementation of this recommendation.	Ongoing activity.

Recommendations	*Action taken responsible party*	*Status*
14. UNRWA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 69).	UNRWA is testing all applications for year 2000 compliance. The review process was completed by the end of March 1999, allowing sufficient time to make any necessary changes before the internal deadline of UNRWA of September 1999. The Director of Administration and Human Resources is responsible for the implementation of this recommendation.	Ongoing activity.
Recommendations for 1994–1995		
15. An improvement in financial management is warranted in view of the fact that the present balance in the working capital is not enough to discharge fully its obligations (annex, recommendation 10 (a)).	The Agency continues to have a major shortfall in donor contributions to meet basic operational requirements. Unaudited figures for 1998 indicated a deficit of $21.3 million, which was financed through the favourable fund balances carried over from the previous year. As to the working capital position, the combined balance of working capital and other funds reflects a carry forward balance into 1999 of $1.4 million. The Agency will present to donors a proposal to establish a budget provision for the restoration of working capital over a five-year period. The Comptroller is responsible for the implementation of this recommendation.	Ongoing activity.
16. The Agency should ensure strict adherence to its programme management procedures on acceptance and disbursement of project funds, as well as reporting on them to assure donors of the effective utilization of their contributions (annex, recommendation 10 (b)).	Under the functional direction of the External Relations Office, field directors have been vigorously preparing overdue project reports due to several donors. Internal audits are currently in progress on project management, which should be of assistance to the management of the External Relations Office in entrenching a more disciplined approach to the timely reporting to donors. The Comptroller, the Chief of the External Relations Office, the Director of Operations and Field Directors are responsible for the implementation of this recommendation.	Ongoing activity.
17. In view of the implications for the General Fund's cash flow, the Agency may wish to review its policy of advance authorization of funds to pre-finance projects prior to receipt of contributions, by limiting its application and strengthening its monitoring (annex, recommendation 10 (c)).	The capacity of the Agency to effect such advances ceased in 1997. Donors are aware of the Agency's fragile working capital position and the need to finance outstanding commitments. The Comptroller is responsible for the implementation of this recommendation.	Ongoing activity.

Recommendations	*Action taken responsible party*	*Status*
18. For the purpose of transparency, the recording of an unutilized balance of cash contributions as income received in advance is not consistent with the Agency's policy of recognizing income on the cash basis of accounting (annex, recommendation 10 (d)).	This recommendation was implemented in the 1998 unaudited financial accounts. The Comptroller is responsible for the implementation of this recommendation.	Action completed.
19. UNRWA involvement in any project should be at the very start of the planning process to provide the necessary expertise in the development of a feasibility project plan and realistic implementation schedules to expedite project delivery (annex, recommendation 10 (e)).	Pursuant to the Board of Auditors report, the Internal Audit Office factored this recommendation into its internal audit plan and is currently carrying out a major audit in the Lebanon field office, which will review measures adopted to improve project management. However, it should be borne in mind that some external factors in all the field offices are beyond the Agency's control to anticipate or to influence. Field and programme directors are responsible for the implementation of this recommendation.	Ongoing activity.
20. Monitoring and reporting of deliveries of in-kind donations to the European Gaza Hospital should be effectively coordinated between Vienna and the field office, Gaza, to facilitate their prompt accounting (annex, recommendation 10 (f)).	The European Gaza Hospital project was completed in 1998. The European Union has assumed direct control over the Hospital commissioning. The Deputy Director of UNRWA Operations, Gaza, is responsible for the implementation of this recommendation.	
21. To improve planning with appropriate consideration for sustainability, the Agency should develop a more cost-effective system of consultation and coordination with all parties concerned (annex, recommendation 10 (g)).	The Agency has introduced mechanisms for closer coordination with donors and host authorities. In addition, the Agency created and staffed a Policy Analysis Unit in 1998. The functions of the Unit will cover research and analysis on policy related issues with a view to enhancing the effectiveness and efficiency of Agency programmes. The Office of the Commissioner-General is responsible for the implementation of this recommendation.	Ongoing activity.

F. United Nations Institute for Training and Research

The actions taken or to be taken by UNITAR to implement the recommendations of the Board of Auditors in its report for the year 1997[8] are set out below.

Recommendation	*Action taken to implement recommendation*
1. UNITAR should carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva (para. 23).	Monthly reconciliations are being made between UNITAR records and the accounting records of the United Nations Office at Geneva. This control is a very useful tool to ensure that both the United Nations Office at Geneva and UNITAR have recorded entries correctly. Any errors by the United Nations Office at Geneva are reported immediately for follow-up action, and other differences are investigated. This exercise is working well and is a valuable financial control. The Finance and Administration Officer, UNITAR, is responsible for the implementation of this recommendation.
2. UNITAR should take action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between UNDP and UNITAR accounting records (para. 26).	UNITAR has worked hard on this problem and now most inter-office vouchers from 1997 and prior have been cleared. There remains two inter-office vouchers from 1996 (total $4,896) and one from 1997 ($100). UNITAR is still seeking more information concerning the 1996 inter-office vouchers and the 1997 vouchers will be cleared shortly. Concerning prior year unprocessed items, there remains two large balances amounting to $23,653. UNITAR has requested supporting documents from UNDP headquarters and is waiting for a response. The Finance and Administration Officer of UNITAR is responsible for the implementation of this recommendation.
3. UNITAR should ensure that inter-office vouchers are immediately transferred to the United Nations Office at Geneva for recording (para. 27).	The inter-office vouchers are now transferred to the United Nations Office at Geneva within a very short period of receipt. In some cases where there is a problem, the inter-office vouchers may have to be kept pending investigation. The small inter-office vouchers have all now been cleared. These inter-office vouchers often relate to fax or pouch charges. They have been charged to the relevant projects. A total of $61 has been charged to the General Fund for communications where it has been considered appropriate to charge these common charges to the General Fund. The Finance and Administration Officer of UNITAR is responsible for the implementation of this recommendation.
4. UNITAR should seek clarification of the regularity of the planned promotion procedures from the Office of Legal Affairs before implementation (para. 33).	The issue is still under review by the Board of Trustees. The Executive Director of UNITAR is responsible for the implementation of this recommendation.

Recommendation	*Action taken to implement recommendation*
5. UNITAR should document the performance assessment procedures to ensure transparency (para. 34).	Performance appraisals will be prepared on an annual basis for each staff member. UNITAR is currently working on these appraisals. The new system will be documented clearly. The Finance and Administration Officer of UNITAR is responsible for the implementation of this recommendation.
6. UNITAR should review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva (para. 40).	The new procurement practices introduced by the United Nations Office at Geneva are still under review by UNITAR. The Executive Director and the Finance and Administration Officer of UNITAR are responsible for the implementation of this recommendation.

G. Fund of the United Nations Environment Programme

Measures taken or to be taken by UNEP to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[9] are set out below.

Recommendation	*Action taken to implement recommendation*	*Completion date*
1. Reports on the value of non-expendable property purchased by the implementing agencies out of UNEP funds should be obtained and the value of such property should be disclosed in the notes to the financial statements (para. 15).	The value of non-expendable equipment purchased by implementing agencies out of UNEP funds will be disclosed in the 1998 accounts.	March 1999
2. The administration should review all unpaid pledges under the different funds and make appropriate provision in the accounts where the collection of the income is considered doubtful. The administration should also consider recognizing pledges as income only when the funds are received (para. 18).	The Budget and Funds Management Service of the United Nations Office at Nairobi continuously reviews unpaid pledges for all funds. In respect of the Montreal Protocol, contribution tables have been maintained separately for each year since the inception of the fund (1991), thus providing detailed information in respect of the age of unpaid pledges. Age analysis information for other UNEP trust funds is being developed. Writing off pledges as well as considering pledges of some Governments to be doubtful and making corresponding provisions in the accounts is the prerogative of meetings of parties contributing jointly to these funds. However, in the management of allocations and commitments of all trust funds, it is the policy and practice of UNEP and the United Nations Office at Nairobi to take into consideration cash balances only, supplemented very exceptionally by some amount of pledges considered to be fully reliable. Therefore, reflecting pledged contributions as income and long-outstanding unpaid pledges as assets in the official accounts never results in over-estimation of funds available, over-commitment or over-expenditure.	Ongoing
3. The administration should continue efforts to ensure that executing agencies that are required to provide audit certificates in respect of moneys released from the Environment Fund do so soon after the end of the financial period (para. 23).	The UNEP Manual on Project Formulation, Approval, Monitoring and Evaluation sets out the conditions relating to the submission of audit certificates. UNEP has put in place all the necessary measures to ensure the timely submission of audited expenditure statements, i.e., UNEP will withhold future cash advances to those organizations that have not provided audit certificates and will not enter into new contractual arrangements with supporting organizations that have not provided the necessary audit documents.	Ongoing

Recommendation	*Action taken to implement recommendation*	*Completion date*
4. The administration should establish a system of periodic review of accounts receivable to recover and/or adjust the items (para. 27).	Control and follow-up is to be improved and an improved receivables ageing system is to be developed.	End of 1999
5. Reconciliation of all outstanding inter-office vouchers should be completed as early as possible and the administration should adhere to the system of monthly reconciliation of inter-office vouchers in consultation with United Nations Headquarters (para. 31).	Reconciliation of inter-office vouchers is undertaken by the Accounts Division at United Nations Headquarters; recommendations should therefore be addressed to it.	
6. As a matter of urgency the administration should review the cost-effectiveness and viability of the project, including the compatibility of the Mercure satellite communications system with the United Nations communications system (para. 42).	The conclusions of an independent and external cost-benefit analysis of the UNEPnet/Mercure system, based on preliminary experience gained during the first five months of operation, were reported by the Executive Director to the UNEP Governing Council at its twentieth session. In its decision UNEP/GC/20/30, the Governing Council welcomed the report and noted that Mercure provided cost-effective services and positive benefits to UNEP. It requested the Executive Director to present a comprehensive cost-benefit analysis at its next session. The Mercure system has demonstrated full compatibility at the level of Internet data services with the United Nations telecommunications network since commencement of services. Compatibility with United Nations video-conferencing services has since also been reliably and repeatedly demonstrated. Integration of voice telephone services, including switch-to-switch integration and uniform dialling, is to be demonstrated once the necessary negotiations with Kenyan telecommunications authorities have been concluded. The negotiations will be finalized once the current restructuring of telecommunications by the Kenyan authorities is complete. A technical coordination meeting between UNEP and the Information Technology Services Division of the Office of Central Support Services of the United Nations Secretariat to coordinate voice services to other United Nations agencies in Nairobi has already been implemented; voice services will be extended when operational.	

Recommendation	*Action taken to implement recommendation*	*Completion date*
7. The Administration should improve its management and control over projects ensuring that objectives and outputs are clearly specified, terms of reference for consultants are specified, and quarterly expenditure and half-yearly progress reports are received promptly. The Board reiterated its recommendation made in its report for 1990–1991 and again in 1994–1995 that action should be taken to obtain all prescribed reports so as to allow timely closure of completed projects (para. 50)	Project formulation was streamlined with the approval in 1998 of the UNEP Manual on Project Formulation, Approval, Monitoring and Evaluation; measures to ensure timely submission of financial statements and progress reports were put in place (UNEP withholds cash advances to organizations that have not submitted the required reports). Action has also been taken to solicit from executing agencies all outstanding project reports and to effect timely closure of projects	Ongoing
8. That the administration should review the project management report sheet and include specific outputs in it, in addition to ensuring that they are updated on an ongoing basis to serve as an effective project management instrument (para. 51)	The UNEP Manual on Project Formulation, Approval, Monitoring and Evaluation already provides tools (project progress report, terminal report, and self-evaluation fact sheet) for collecting comprehensive information on the life of a project to meet evaluation and report requirements, including specific outputs. Fund management officers are following up the project development through the project management report sheet, where all the expected and received reports are listed. It is considered that these reports and filing system will adequately meet the audit requirements and that it is not necessary to include specific outputs in the project management report sheet	
9. The administration should ensure that the procedures for taking action on the decision of the Property Survey Board are adhered to and should monitor compliance by exception (para. 61)	The United Nations Office at Nairobi is implementing the recommendation	Ongoing

H. United Nations Population Fund

The measures taken or to be taken by UNFPA to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[10] are described below.

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
Previous recommendations not fully implemented		
1. In its report on the biennium 1990–1991, the Board of Auditors recommended that the UNFPA Policies and Procedures Manual should be updated without further delay. A UNFPA task force created in October 1996 issued a major portion of the Manual in November 1997; however, the Manual remains only 80 per cent complete (para. 7 (a)).	A Policies and Procedures Manual maintenance unit was created within the Office of the Director of the Technical and Policy Division to ensure the necessary follow-up. In addition, an interdivisional working group was established to actively address any gaps identified by the field offices, country support teams and headquarters staff in the applications of the Manual, as well as the early finalization of the remaining chapters of the Manual.	The final version of the Manual will be distributed by September 1999. The process has been slower than anticipated owing to the participatory approach that was used to ensure the full understanding by all staff of the new programming guidelines. Since the last review of the Board of Auditors, 15 new chapters of the Manual have been completed and distributed to all staff at headquarters and in the field. In addition, two chapters relating to UNFPA support to reproductive health and collaboration with non-governmental organizations were revised and distributed. To enhance dissemination and to facilitate access, chapters of the Manual have been posted on the UNFPA Intranet since October 1998.
2. In its report on the biennium 1992–1993, the Board of Auditors recommended that all procurement requests be channelled through the Fund's Procurement Unit. The Board found that the UNFPA Information and External Relations Division had approached consultancy firms directly rather than through the Procurement Unit (para. 7 (b); observation taken up by the Advisory Committee on Administrative and Budgetary Questions in A/53/513).	The Director of the Information and External Relations Division has appointed a focal point to participate in the Contract Review Committee and to update the Division on procurement related matters.	UNFPA senior management and the procurement unit have continued to emphasize the necessity of strictly applying established procedures to all procurement requests. The cited cases were brought to the attention of the Director of the concerned organizational unit for strict compliance of the procurement procedures in the future. The concerned unit is now adhering to the applicable procedures.
Recommendations for the biennium 1996–1997		
Financial procedures		
3. UNFPA should show the value of contributions-in-kind in a note to the financial statements (para. 17; observation taken up by the Advisory Committee on Administrative and Budgetary Questions in A/53/513).	The Chief of the UNFPA Finance Branch is examining the requirements for collecting information on contributions-in-kind, assigning a value to such contributions and reporting on this information.	In accordance with the recommendations of the Advisory Committee on Administrative and Budgetary Questions in document A/53/513, UNFPA will await the review of the United Nations Accounting Standards by the Consultative Committee

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
		on Administrative Questions (Financial and Budgetary Questions) as they pertain to disclosure of the value of the contributions-in-kind. While awaiting the Committee's review of the subject, the UNFPA Finance Branch plans to disclose the value of contributions-in-kind in a note to the financial statements for the biennium 1998–1999.
4. UNFPA should establish procedures for accurately recording non-expendable project equipment held by Governments and non-governmental organizations and disclose the value of the inventory in a note to the financial statements (para. 21).	UNFPA is stressing the importance of accurate record keeping in the revised administrative and programming section of the Policies and Procedures Manual. The responsibility for adequate recording primarily lies with executing agencies (monitored by country officer, geographical divisions, the Technical and Policy Division, and the Information and External Relations Division). The Director of the Division for Finance, Administration and Management Information Systems will monitor the overall compliance for accuracy of recording.	This is a complex enterprise which requires coordination among different headquarters divisions as well as between country offices and headquarters. The Director of the Division for Finance, Administration and Management Information Systems has developed and disseminated procedures for the collection, valuation and reporting of non-expendable project equipment held by Governments and non-governmental organizations. In November 1998, the geographical divisions were requested to provide the Finance Branch with information on non-expendable project equipment by 31 March 1999.
5. UNFPA should amend the financial regulations to require exchange losses arising other than from voluntary contributions to be charged as expenditure, in line with the practice adopted by United Nations Headquarters (para. 24).	The Chief of the UNFPA Finance Branch is drafting the necessary revisions to the financial regulations and rules. In addition, the Chief will coordinate with UNDP to determine what is required to be able to segregate exchange losses according to the source of the loss.	UNFPA has drafted financial rule 104.3 on exchange adjustments, which is being implemented and will be reflected in the financial statement for 1998–1999.
6. UNFPA should take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under UNFPA regulations (para. 26, observation taken up by the Advisory Committee on Administrative and Budgetary Questions in A/53/513).	The Chief of the Procurement and the Administrative Branch is monitoring travel advances and will decide on recovery of overdue travel advances in cases when travel claims have not been submitted within two weeks upon return from actual travel. No further missions will be approved by the Deputy Executive Director prior to submission of claims for previous travels.	Since 1998, UNFPA has taken the necessary steps to clear the majority of outstanding advances, including taking action to write off any advances where the prospect for recovery is dim. UNDP resources are currently focusing on the implementation of IMIS Release 3, therefore, most of its requests to clear outstanding advances are pending UNDP final action. The IMIS

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
		Release 4, which is planned for implementation during the third quarter of 1999, will include a link to the payroll system for the automatic recovery feature already included in Release 3. Thus while the decision for recovery will be done after two weeks of non-submission of travel claims, actual recovery through IMIS payroll deduction may de facto need up to 60 days from the date travel is completed.
Management issues		
A. Cash management		
7. UNFPA should expedite the receipt of outstanding disbursement reports to keep firmer control over the level of outstanding advances (para. 36 (a)).	Strict requirements regarding the conditions for paying and controlling advances are set forth in the Finance Manual. Country office representatives and programme managers at headquarters are responsible to ensure that those procedures are implemented. The Director of the Division for Finance, Administration and Management Information Systems, through the developing of a database, will monitor the implementation of the procedures.	Starting in 1999, the Finance Branch will provide the Executive Committee with an annual list on offices that are deficient in compliance with UNFPA financial regulations, rules and procedures as they relate to the timely receipt of disbursement reports and the provision of advances to the executing agencies. In addition, accountability measures are invoked based on the Executive Director's memo dated 29 January 1999.
8. UNFPA should apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding and limit the level of advances to no more than one quarter's estimated expenditure (para. 36 (b) and (c), observation taken up by the Advisory Committee on Administrative and Budgetary Questions in A/53/513).	Country office representatives and programme managers at headquarters are responsible for ensuring adherence to these procedures. The Director of the Division for Finance, Administration and Management Information Systems, through the database, will monitor adherence to the procedures.	In November 1998, the Executive Directors issued a circular on audit findings, instructing representatives to adhere to rules and procedures and to take appropriate follow-up actions. An additional circular was issued in January 1999, emphasizing financial rule 103.2 regarding personal accountability. As stated in item 7 above, the Finance Branch will prepare an annual list of those country offices that are deficient with regard to compliance with UNFPA Financial Regulations, Rules and Procedures, especially as they relate to the provision of advances to executing agencies.

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
9. UNFPA should require Governments and non-governmental organizations, where practicable, to open a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds (para. 38).	The UNFPA Finance Manual currently states that Governments should maintain a separate project bank account and include a bank information sheet to be completed for each project. UNFPA, through the country representatives, will continue its efforts to recover any interest earned on project funds.	It is the norm that separate bank accounts are established and the need to do so is emphasized in the Policies and Procedures Manual, as well as in all training and programme monitoring missions. The cases where separate accounts are not opened are primarily a result of legislation or infrastructural limitations in the country.
10. UNFPA should periodically review all inactive projects and take early action to close those that have been completed (para. 43).	The Director of the Division for Finance, Administration and Management Information Systems issued a circular in July 1997 clarifying the procedures to be followed in identifying and closing completed projects. In addition, the Finance Manual has been revised to provide clear guidelines on project closure. It is the responsibility of the UNFPA representative, the relevant head of headquarters division and the relevant executing agencies to review project status on an ongoing basis to determine whether action needs to be taken to close an inactive project. Programme managers, with the support of the Chief of the Finance Branch, are monitoring the process of project closure.	Enormous progress has been made with regard to project closure. Nearly 1,800 projects have been identified as operationally complete and subsequently financially closed. The Division for Finance, Administration and Management Information Systems has developed a procedure to ensure that, in future, operationally closed projects are systematically identified for review by the geographical divisions, the Technical and Policy Division and the Information and External Relations Division.
11. UNFPA should negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs (para. 65).	UNFPA strategy in this area is reflected in the active participation of the Chief of the Procurement and Administrative Branch in the Sub-Group on Common Premises and Services of the United Nations Development Group (UNDG). In this respect, all UNDG partner agencies are adhering to the Secretary-General's directive to move towards common premises and the establishment of United Nations houses. Consequently, the methodology and strategy applied to achieve this are common to the UNDG agencies. The Board of Auditors recommendation is	As an active participant in the Sub-Group, UNFPA ensures that it retains an equal voice in formulating such policy and, in doing so, strives to ensure that proposals of the Sub-Group take into account and maximize efficiency as well as cost-effectiveness. The issue of cost-free premises is being actively pursued in the Sub-Group and the Management Group on Services and Premises forums. A common strategy and policy is currently being investigated. A conference room paper prepared by the Sub-Group will be presented to the Executive Board in a joint UNDP/UNFPA segment at the second regular session in 1999.

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
	accepted by UNFPA. In addition to efforts of the Sub-Group in this area, UNFPA representatives will be requested to inquire with host Governments into the possibility to extend the UNDP government local office costs contribution or similar arrangements to UNFPA offices where such arrangements do not already exist.	
12. UNFPA should establish standards and guidelines for premises-related expenditure (para. 73).	The Chief of the Finance Branch and the Chief of the Procurement and Administrative Branch are considering the joint development of guidelines.	UNFPA, wherever possible, attempts to ensure that countries specifically targeted for in-depth review and premises-assessment missions are those countries that exhibit high rental and/or high operational costs. However, it should be noted that utilizing an average rental cost per staff member as a means of comparison could be misleading. The administration is currently considering the development of more appropriate indicators, such as the costs as a percentage of office budget or a comparison of square-footage costs in that particular geographical area.
13. UNFPA should ensure that the standard common services agreement incorporates performance targets and service standards (para. 77).	UNFPA concurs with the Board's observations and recommendations on this issue. In this context, it should be noted that in response to a UNDP/UNDG office paper providing guidelines and policy on common services, commissioned by the Consultative Committee on Programme and Operational Questions, UNFPA was the sole UNDG agency to request, in writing, that the paper be revised, *inter alia*, to include criteria to evaluate the quality and cost-effectiveness of services provided by partner United Nations agencies and to include the principle of the accountability of service providers to service recipients. The Director of the Division	At the UNDG Management Group on Services and Premises meeting of 12 August 1998, UNFPA again emphasized that it remained essential to include relevant narrative on the subject in the pending guidelines on this issue. This point was accepted by the other UNDG agencies present in this forum (UNDP, UNICEF and the World Food Programme). The guidelines were revised accordingly and were endorsed by the Consultative Committee on Programme and Operational Questions in October 1998.

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
	for Finance, Administration and Management Information Systems will monitor overall compliance with agreed performance standards.	
B. Human resource management		
14. UNFPA should undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices to ensure appropriate balance between decentralization and control (para. 84) and determine accurately the number of Professional and support staff needed (para. 88).	UNFPA concurs with the observations and recommendations, which are being addressed through a workforce planning exercise organized by the Chief of the Office of Personnel and Training to review job content and redesign functions of posts, as necessary; develop accurate workload measures specific to the full range of work undertaken; and establish workload benchmarks to optimize staff resources.	The workforce planning exercise commenced with a baseline post assessment from November 1998 to April 1999, and continuing with a pilot re-engineering phase from January to August 1999 and a broad-based application from September 1999 to February 2000. Staff have been informed of this project through a detailed circular from the Executive Director. Workforce planning workshops conducted with all staff at headquarters and selected country offices in November and December 1998 supported the baseline post assessment.
15. UNFPA should undertake a field capacity study to assess whether country offices are appropriately staffed (para. 94).	The results of the workforce planning exercise will facilitate the assessment of the appropriate staffing of country offices. The responsibility for the exercises lies with the Chief of the Office of Personnel and Training.	The workforce planning exercise will also enable senior management to adequately define the role and responsibilities of country office staff in the context of decentralized approval authority and programme implementation. This also needs to be seen in the context of national capacity-building and national execution, particularly how the country offices should be endowed to assist Governments and non-governmental organizations to achieve self-reliance. Since this is of concern to the United Nations system as a whole, at the initiative of UNFPA, the UNDG Sub-Group on Programme Operations is discussing joint operational recommendations. A note on this was presented to the UNDG in November 1998.

Recommendation	*Follow-up action responsibilities*	*Time-frame comments*
Year 2000 issue		
16. UNFPA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 99, observation taken up by the Advisory Committee on Administrative and Budgetary Questions in A/53/513).	The Chief of the Management Information Systems Branch has been appointed as the focal point for year 2000 issues. In a survey on all systems during 1998 UNFPA found that all of its systems were compliant with year 2000 requirements.	The only non-UNFPA system used by UNFPA is the General Ledger, which was being replaced beginning in early 1999 by a version of IMIS. UNFPA is actively involved in the inter-agency working group on information technology systems. The Joint Inspection Unit findings indicate that, in general, UNFPA is well prepared for the year 2000.

I. United Nations Habitat and Human Settlements Foundation

The measures taken or to be taken by the United Nations Habitat and Human Settlements Foundation to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[11] are described below.

Recommendation	*Action taken to implement recommendation*
Recommendations relating to previous bienniums	
1. The administration should identify weakness in project coordination and management control with a view to improving project implementation (1990–1991, 1992–1993 and 1994–1995) (para. 9).	A Project Review Committee was established in August 1996 and meets twice a month to review all project proposals so as to improve programme planning, project design and coordination. For a sound project design and to ensure project coordination and management, a project check list was designed in February 1997 and is being used by all programme managers in the design and implementation of projects. The Programme Support Division is responsible for the implementation of this recommendation.
Recommendations relating to the biennium 1996–1997	
2. The administration should review the need for maintaining an operating reserve in accordance with administrative instructions (para. 20).	The present budget submission took this into account (table 4). The Programme Support Division is responsible for the implementation of this recommendation.
3. The administration should review the basis of its fund-raising strategy, with the aim of increasing the quantum of contributions, especially those that are not earmarked (para. 28).	The actions that are being taken in revitalizing the United Nations Centre for Human Settlements improved donors' confidence and there has been a slight increase in voluntary contributions in 1998–1999 compared with 1996–1997. The new Centre will have a Resource Mobilization Unit with explicit responsibility for devising fund-raising strategies. The Programme Support Division is responsible for the implementation of this recommendation.
4. The administration should analyse the reasons for substantial time overruns in projects and take corrective measures (para. 36).	The reasons for time overruns are now analysed on a case-by-case basis. The programme managers and programme management officers are now documenting reasons and taking corrective actions. The Regional and Technical Cooperation Division is responsible for the implementation of this recommendation.
5. The administration should set a time-frame for closing the projects financially soon after their operational closure (para. 38).	The programme management officers have been instructed to reduce the time lag between operational closure and financial closure of projects and reduce the time not exceeding two years. The Regional and Technical Cooperation Division is responsible for the implementation of this recommendation.

Recommendation	*Action taken to implement recommendation*
6. The administration should ensure that full documentation is maintained in the relevant project files and enhance the information in the statements of closed projects to show full details of project out turn and delivery as a means of evaluating performance (para. 41)	Important documents and basic records on projects implemented by Rio and Fukuoka offices are now available at headquarters. Programme managers have been instructed to maintain full documentation in relevant project files and to be pro-active in project evaluation. The Regional and Technical Cooperation Division is responsible for the implementation of this recommendation.
7. The administration should take steps to generate information on actual costs of production and other expenses in order to control costs and help in the pricing of publications (para. 49)	Most of the publications are now being printed at the United Nations Office at Nairobi and steps have been taken to keep a record of the actual cost of production and to control expenditure. The Programme Support Division is responsible for the implementation of this recommendation.
8. The administration should finalize contracts with transparency in accordance with the financial rules and obtain requisite approvals before the contracts are awarded.	Programme managers are instructed to strictly follow the recommendations of the Board of Auditors and the recommendation is being implemented on a continuous basis. The Programme Support Division is responsible for the implementation of this recommendation.

J. Fund of the United Nations International Drug Control Programme

The measures taken or to be taken by the United Nations International Drug Control Programme to implement the recommendations of the Board of Auditors in its report on the financial statements for the biennium ended 31 December 1997[12] are described below.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
Previous recommendation not fully implemented			
1. The Programme should simplify its financial accounting arrangements (1992–1993) (para. 7).	The financial accounting arrangements have already been considerably simplified with the transfer of the accounting function from United Nations Headquarters to Vienna and the rationalization of the treasury and banking arrangements. The General Ledger has been successfully decentralized and integrated into the computerized accounts of the United Nations Office at Vienna, banking arrangements have been consolidated in a cost-effective manner and cumbersome inter-fund transactions reconciled and eliminated. What remains is the final step in integrating the accounting systems in Vienna. In this connection, it should be noted that significant preparatory work has already been conducted by an expert study on the development of an integrated financial accounting system with a securer computer platform following recommendations made by an earlier report of the Office of Internal Oversight Services.	The integration of accounting systems in Vienna is proceeding with the planned extension of IMIS in 1999. The Programme is currently working with the United Nations Office at Vienna and United Nations Headquarters on the feasibility of incorporating as far as possible its General Ledger into IMIS. However, areas such as donor funding attribution by project activities and expenditure analysis by drug control sectors and programmes may not be feasible within IMIS. Therefore, the Programme is simultaneously considering, based on the expert study, compatible commercial packages not only to have an integrated General Ledger but also a management information system relevant to its unique needs on a securer computer platform.	Full IMIS implementation is planned by the summer of 1999. Further development of the Programme's own information systems is planned by the end of 1999. Therefore, the 1998–1999 financial statements are expected to be produced using an integrated accounting system. The Chief of the Programme Support Services is responsible for coordinating implementation.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates responsibility*
Programme expenditure incurred by executing agencies			
2. The Programme should carry out liaison with UNDP to ensure that audit reports are received for all nationally executed disbursements incurred through UNDP as the executing agency (para. 15)	As stated in the report by the UNDP Administrator on internal oversight of 23 March 1998, the UNDP Office of Audit and Performance Review has, over the years, "been collaborating closely with the Board of Auditors towards the establishment of measures that would allow removal of the qualification of the national execution audited expenditure" from the reports of the Board (DP/1998/26, para. 39). To that end, the UNDP report specifically mentions that UNDP financial regulation 17.2 requires Governments to submit audited financial reports for nationally executed projects and programmes and that the Office of Audit and Performance Review had, accordingly, set a deadline for the submission of such reports by 30 April 1998. Therefore, the Programme did not and was not expected to follow up on this issue of its own accord given the current nature of existing arrangements. It is a matter of concern, unfortunately, that, despite these efforts, the external auditors of UNDP have not been satisfied with the extent of audit coverage achieved because of which the Programme has also had its financial statements "technically" qualified. The Programme can, therefore, only concur with the Board's recommendation.	Liaison with UNDP has been established. Efforts are under way to implement agreed upon procedures for further follow-up towards continuous implementation of this very important recommendation.	Receipt of the necessary reports is targeted from 1998 onwards. The Chief of the Programme Support Services is responsible for coordinating implementation.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
Management of technical cooperation projects			
3. The Board welcomes the recent developments in policy formulation and recommends that the Programme complete and promulgate guidelines on drug control policy as a matter of priority (para. 27).	The Programme concurs with this recommendation and appreciates that the audit report acknowledges the progress already made.	While this will be taken forward as a priority, the timing of the issuance of guidance on the various issues highlighted by the Board will obviously depend on a number of external factors. As examples, global programmes on assessing the magnitude of drug abuse and the extent of illicit cultivation have been developed in the light of the policies endorsed during the twentieth special session of the General Assembly devoted to countering the world drug problem together.	Ongoing. the Chief of the Operations Branch is responsible for coordinating implementation.
4. The Programme should ensure that programme frameworks are prepared on a timely basis and that clearer assessments of national legislation and government capacities, and financial estimates and lessons learned, are incorporated in the programmes (para. 32).	The Programme concurs with the recommendation. It should be noted, however, that the current biennial programme budget contains a comprehensive programmatic description of planned activities, by region, linked to a budget. The decentralization of responsibilities to the field level and streamlining of administrative procedures is also resulting in required improvements.	Country and subregional programme frameworks have been replaced by a two-tier system which, for the first time, integrates substantive and financial planning as reflected in the biennial programme budget. As recommended, financial estimates and lessons learned are now being included together with the programmatic description. Programme documents on the country or subregional level are also prepared, which flow from the biennial programme budget. The programmes thus elaborated are based on a comprehensive situation assessment, including the national legislative and institutional situation and capacities. Further, project ideas — including financial aspects — are now included in the programme documents.	Ongoing. The Director of the Operations and Analysis Division is responsible for coordinating implementation.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
5. While welcoming the plan to develop a set of standard performance indicators, the Board recommends that the Programme strengthen project documents by systematically incorporating baselines, targets and monitoring evaluation frameworks; and carry out a thorough appraisal of the scale of the drug problem to be addressed and a cost-benefit analysis of project proposals before projects are approved (para. 40).	The Programme concurs with the recommendation and will continue with the further development of appropriate measures.	Following extensive consultations between field and headquarters offices, revised guidelines on programme and project preparation aimed at substantially improving programme and project documents are in the final stage of preparation. Programme/project planning will involve a comprehensive assessment of the drug control situation, necessary baseline studies, the establishment of realistic achievement indicators, monitoring systems and evaluation plans. A cost-benefit analysis of programme/project proposals will form an integral part of the preparation and appraisal process.	Ongoing. The Chief of the Operations Branch is responsible for coordinating implementation.
6. The Programme should adopt a more prudent approach in the planning of its projects, ensuring that projects have realistic start dates and duration, and sound procurement planning, financial resources and execution arrangements (para. 48).	The Programme fully concurs with this recommendation. It is expected that with the decentralization of responsibilities to the field level and the streamlining of administrative procedures, required improvements in project planning, approval and delivery will result.	One of the main aims of the revised guidelines is to ensure sound programme and project planning, which should result in more realistic starting dates, project durations, activity, work plans and related inputs and adequate execution/implementation arrangements.	Ongoing. The Chief of the Operations Branch is responsible for coordinating implementation.
7. The Programme should initiate *ex post facto* evaluation of projects, where appropriate, to obtain a more reliable assessment of the sustained impact of projects some years after activities have been completed (para. 50).	The Programme supports the case for more attention to be given to the evaluation of the impact of projects. It aims for lessons learned from projects and programmes to be publicized and disseminated widely to Member States and others and used as a basis to design the next generation of technical assistance interventions.	The priority being given to this area is reflected in the recently revised medium-term plan stemming from the action plans adopted by the General Assembly at its twentieth special session. Emphasis will be placed on assessments at the programme and country levels in support of meeting the specific targets set in the action plans.	Ongoing. The Director of the Operations and Analysis Division is responsible for coordinating implementation.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
Establishing the Programme as a centre of excellence			
8 The Programme should review its needs for additional support from external organizations with expertise in drug-related issues, identify the institutions that are best placed to meet its requirements and develop relevant agreements with them (para. 60).	The extent to which the Programme can expand its network of cooperating institutions should be governed by its capacity for exploiting them. Given the present constraints in staff and other resources, it is better to confine the network to those institutions with which it can actually collaborate. With the new strategy to make research, in particular, a core function of the Programme, the need to farm out such core functions would make less sense than in the past. Instead as recommended by the Board, emphasis will need to be placed on developing specific plans of joint work with institutions best placed to meet the non-core function requirements. The Board also rightly lays emphasis on the need to build up in-house expert capacity on the technical side. Ideally, this would require strengthening significantly expert capacity in the field which, however, would entail either setting up regional centres such as that in Bangkok with a core of experts in each or locating experts in each field office, which is costly in terms of resources. In the absence of such resources, providing this service from headquarters remains the more viable, if limited, option.	As an initial step, the existing and rather limited service from headquarters is being strengthened within available resources to make the centre of excellence concept more immediately viable. Furthermore, in the context of the two global programmes on the magnitude of drug abuse and extent of illicit cultivation referred to above, the Programme is basing the programmes on securing the support of external organizations with appropriate expertise as well as outposting internal expertise to field offices wherever feasible.	Ongoing. The Chief of the Analysis Branch is responsible for coordinating implementation.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
9 The Programme should: (a) classify individual consultants according to a smaller number of key disciplines that would be helpful for the staff expected to use the roster; (b) promote and support the use of the roster by ensuring that it is regularly maintained and updated; and (c) undertake periodic analyses of those areas of specialization most in demand to help identify shortfalls and initiate action to address them in advance of possible project assignments (para. 66)	The Programme concurs with recommendation (a). Regarding recommendation (b), a roster should be simple and easy to use so that training would not be necessary. A decentralized, Intranet-based roster would perhaps be more feasible. The screening of candidates by concerned substantive offices is already being done. The Programme concurs with recommendation (c).	A limited number of targeted, useful consultant categories will be used. Candidates are now routinely screened before being placed on the roster. In order to rationalize further the roster, the central roster has been merged with the personnel roster maintained by the United Nations Office at Vienna. This would be complemented by decentralized offices with specific rosters linked to the central roster through the use of the Intranet.	Rationalization of the roster is targeted for late 1999 or early 2000. The Chief of the Programme and Support Service is responsible for coordinating implementation.
10 The Programme should improve transparency of its evaluations of consultant performance and: (a) introduce a standard evaluation form to document performance assessments for all consultants, covering the extent to which they met deadlines, budgets and objectives, and (b) ensure that evaluations are carried out consistently and in a timely manner at the end of consultants' assignments (para. 69)	The Programme will give due consideration to these recommendations in order to continually improve the transparency of its evaluation of consultant performance. A decentralized roster on the Intranet could be considered to make essential improvements without adding additional forms.	In connection with activities undertaken to improve the roster, the Intranet system under consideration would facilitate easy integration of more detailed, standardized assessments of the performance of consultants into the central database. The Programme considers that the system will also improve the frequency and timeliness of reporting on consultants' performance.	As for recommendation 9.
11 The Programme should record the results of evaluations on the central roster to ensure that they are accessible to Programme staff (para. 70).	The Programme takes note of this recommendation. As suggested above, such information could more easily be maintained by concerned substantive offices on a decentralized roster on the Intranet. It will be followed up to see how best this can be achieved.	The Intranet system under consideration would ensure the quick and reliable transfer of information from decentralized rosters maintained by substantive offices to the central roster, and easy access to information by Programme staff.	As for recommendation 9.

Recommendation	*Response*	*Status of implementation*	*Implementation target dates, responsibility*
12. The Programme should complete the curricula and training materials for the intermediate and advanced courses in contemporary drug-abuse control policy as a matter of priority, develop a training plan, with clearly defined responsibilities and a timetable, and take action to secure the necessary financial resources (para. 73)	Relevant curricula and a detailed syllabus for each of the three training levels, basic, intermediate and advanced, were considered by a Programme-wide working group that submitted a report to the Executive Director in October 1996. The report, together with a suggested course of action and related timetable, were further submitted to and endorsed by the Programme Management Committee in January 1997 and subsequently by the Executive Director of the Programme.	Two headquarters basic level training courses have been provided (November 1997 and April 1998) and three at field/regional level (Islamabad, June 1998; Mexico City, November 1998; and Nairobi, February 1999). A fourth course is scheduled in Thailand for November 1999, completing the first round of field training. The content of each field course was adapted to the region concerned and included an evaluation session, where suggestions for improvement were noted in preparation of the next course. A global internal evaluation will be carried out in late 1999 and, on the basis of lessons learned, the intermediate and advanced courses will be developed. As regards funding, training activities, including field training, are budgeted for in the approved biennial support budget for 1998–1999 and will also be proposed at an appropriate level in the 2000–2001 support budget.	A suggestion for repeating the field level courses every second year is under consideration. It is also estimated that the pilot intermediate-level course will be provided in 1999/00. The Chief of Planning and Evaluation is responsible for implementation.
Year 2000 issue			
13. The Programme should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 76).	An inventory of the Programme information systems has been carried out and an assessment made of them for year 2000 compliance.	The Programme has re-engineered its corporate information system, and data has been converted and included in back-up procedures since 1960.	Ongoing. The Chief of the Programme Support Service is responsible for coordinating implementation.
Cases of fraud and presumptive fraud			
14. The Programme should ensure that, in future, internal audit and the Controller are promptly notified of cases of fraud and presumptive fraud (para. 77).	The recommendation is noted for timely compliance in the future.		Ongoing. The Chief of the Programme Support Service is responsible for coordinating implementation.

K. United Nations Office for Project Services

The measures taken or to be taken by the United Nations Office for Project Services in response to the recommendations set forth in the report of the Board of Auditors to the General Assembly for the biennium ended 31 December 1997[13] are as follows. The Executive Director is responsible for the implementation of the recommendations of the Board of Auditors.

Recommendation	*Response*
Procurement	
1 The Office should finalize its handbook on procurement procedures as a matter of priority (para. 25).	Subject to appropriate revision and amplification, the chapter of the handbook relating to procurement procedures has been finalized. In addition, a chapter establishing the role of the portfolio manager with respect to procurement activities has been introduced.
2 The Office should ensure that procurement plans are drawn up for each project, detailing items to be purchased and indicating a likely timetable for action (para. 29).	In order to facilitate effective, timely actions and reduce the overall costs of procurement, the staff of the Office have been advised to ensure that appropriate procurement plans are developed on a timely basis in all cases. The Director of Operations will continue to monitor compliance with this directive.
3 Where requisitions are prepared by procurement staff they should be approved by project managers prior to processing and this approval should be formally evidenced (para. 31).	The need to ensure that requisitions are appropriately approved prior to processing and that the entire procurement process is fully documented have again been drawn to the attention of the staff concerned. The policy of the Office in this regard is set forth in the handbook (particularly in chaps. 3 and 9).
4 All field officers should be reminded of the importance of completing the receipt and inspection reports (para. 33).	While recognizing that the Office is not always in a position to ensure the completion of the receipt and inspection reports, staff have been advised that every effort must be made to do so. Furthermore, staff have been directed to obtain and document alternative confirmation of satisfactory delivery in those instances where receipt and inspection reports cannot be secured.
Evaluation of international consultants and appraisal of staff	
5 The international consultant evaluation form should be revised to encourage a more rigorous evaluation of the final output against measurable objectives and targets in the terms of reference, and field offices should be reminded to complete evaluations of special services agreement assignments (para. 50).	The Office planned to issue new instructions by 1 May 1999 relating to the use of special services agreements. In addition, a revised evaluation form will permit the Office to capture better the quality of outputs as they refer to the original terms of reference. The guidelines will provide clear instructions requiring the completion of the evaluation forms for all staff.

Recommendation	*Response*
6. The Office should ensure that there is a complete, up-to-date, annual appraisal for every Staff member and that a central record is maintained of the staff appraisals (para. 62).	The Office has revised its 1999 performance evaluation form to incorporate elements critical to the pursuit of staff development activities. The Office is committed to conducting the appraisal exercise electronically so as to improve monitoring of compliance and to maintain more accurate central records. The 1999 performance evaluation process guidelines reiterate the need for the forms to be completed for all staff; the results will be closely monitored.
Financial reporting	
7. The Office should identify the shortcomings of the present financial reports, establish the key information required and decide on the form and frequency of the reports (para. 72).	The Office is currently operating at a peak level of effort to implement IMIS Release 3, which is replacing the previous General Ledger system. Basic reporting on 1999 financial activities will remain limited until IMIS is in full production, the systems and interfaces that feed IMIS transaction information from the field are in place and the backlog of 1999 data has been liquidated. At present, it is expected that normal reporting will be possible from mid-1999. Improved reporting tools are now being installed that will complement the reporting functionality available in IMIS. As indicated in 1998, however, a full suite of reporting systems is not expected to be in place until 2001.
Year 2000 compliance	
8. The Office should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 79).	A year 2000 manager has been in place since October 1998 although some of the year 2000 effort has been redirected to the IMIS implementation. There is now a full-time effort, complemented with consultants and contractors, to remedy and test non-IMIS systems, with the principal emphasis being given to mission-critical headquarters systems. While the Office is likely to be vulnerable to disruptions resulting from systems in the business environment that are not year 2000 compliant, those devices and systems under the control of the Office are expected to have been tested and remedies found by the end of 1999.
9. The Office should coordinate with UNDP to ascertain to what extent it had assessed the impact of the year 2000 issue for the interface with UNDP systems (para. 80).	The Office is in regular contact with UNDP on this and related issues.
Reporting fraud	
10. The Office should establish a process for recording and reporting fraud and presumptive fraud (para. 81).	While the Office has historically reported cases of fraud and presumptive fraud to the Board of Auditors, procedures have been established and implemented to facilitate further the gathering, recording and reporting of such cases.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[2] Ibid., vol. IV, chap. II.

[3] Ibid., *Supplement No. 5A* (A/53/5/Add.1), chap. II.

[4] Ibid., *Supplement No. 5B* (A/53/5/Add.2), chap. II.

[5] Ibid., *Fifty-first Session, Supplement No. 5B* (A/51/5/Add.2), chap. II.

[6] Ibid., *Fifty-third Session, Supplement No. 5B* (A/53/5/Add.2), chap. II, annex.

[7] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.

[8] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.

[9] Ibid., *Supplement No. 5F* (A/53/5/Add.6), chap. II.

[10] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.

[11] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.

[12] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.

[13] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.